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OXFORD CITY COUNCIL

To: **Cabinet**

Date: **13 December 2023**

Report of: **Head of Financial Services**

Title of Report: **Medium Term Financial Strategy 2025-26 to 2027-28 and 2024-25 Budget for Consultation**

Summary and recommendations	
Purpose of report:	To propose a Medium-Term Financial Strategy and the 2024/25 Budget for consultation.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management
Policy Framework:	Council Strategy 2020-24 and the Council's Budget

Recommendations: That Cabinet resolves to:

1. **Approve** the 2024-25 General Fund and Housing Revenue Account budgets for consultation and the General Fund and Housing Revenue Account Medium Term Financial Strategy as set out in Appendices 1-10, noting:

    a) the Council's General Fund Budget Requirement of £28.536 million for 2024/25 and an increase in the Band D Council Tax of 2.99% or £10.06 per annum representing a Band D Council Tax of £346.36 per annum;

    b) the Housing Revenue Account budget for 2024/25 of £51.671 million and an increase of 7.7% (£9.27 per week) in social dwelling rents from 1 April 2024 (see paragraphs 78-79) giving a revised weekly average social rent of £129.72 as set out in Appendix 5;

    c) the increase in shared ownership rental in accordance with the lease as shown in paragraph 86; and

    d) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6;

2. **Agree** the fees and charges shown in Appendix 7;

3. **Delegate authority** to the Section 151 Officer in consultation with the Deputy Leader (Statutory) - Finance and Asset Management to determine whether it is financially advantageous for the Council to enter into a

Business Rates Distribution Agreement as referred to in paragraphs 18-19 of the report;

4. **Agree** to the proposal to remove the 1 month 100% unfurnished empty homes discount in accordance with paragraph 25 and note the changes to other discounts approved last year by members in accordance with paragraph 20-22 from 1 April 2024; and

5. **Recommend to Council** to approve the appropriation of Roken House from the General Fund to the Housing Revenue Account at a value of £1,850,000 (paragraphs 48 - 50).

Appendices	
Appendix 1	Summary of General Fund Budget by Service 2024-25 to 2027-28
Appendix 2	General Fund Revenue Budget by Service 2024-25 to 2027-28
Appendix 3	Detailed General Fund and HRA Service Budgets 2024-25 to 2027-28
Appendix 4	Housing Revenue Account Budget 2024-25 to 2027-28
Appendix 5	Council House Rents By Estate
Appendix 6	General Fund and HRA Capital Programme 2024-25 to 2027-28
Appendix 7	Fees and Charges
Appendix 8	Risk Register
Appendix 9	Equalities Impact Assessment
Appendix 10 (EXEMPT)	Properties purchased from OXPlace

Comment from the Portfolio holder

In recent times, each year I have had to comment upon how the budget we face is the hardest yet. That is so because our funding as a City Council has been eroded each year in comparison with the pressures that we face. This year is substantially worse than others: the context is exceptionally hard.

To give some sense of the scale of this challenge:

- Utility bills have risen compared to last year, meaning we need to include an extra £1.2 million per annum: £6 million over 5 years;
- More people are being made homeless with many landlords deserting the private rented sector due to higher interest rates: we have included an extra £300,000 to meet the costs of providing the assistance we owe to homeless households: £1.5 million over 5 years;
- Our two wholly-owned companies face their own cost pressures. Our housing company OxPlace anticipates making dividend payments of £12.9 million over the next five years, which is very welcome but £2 million less than anticipated, while Oxford Direct Services anticipates around £1.9 million per year dividend, which while appreciated is around £1 million per year less than forecast. Inflationary pressures (for instance, much higher costs across the construction sector) play a major role in this.

- Our own capital programme also sees additional costs. This is partly due to the impact of new legislation and the need to maintain our assets, but also due to the rising cost of undertaking necessary works. This has led to £4.5 million of additional revenue funding to pay for borrowing over the next five years.
- Other inflationary pressures at the City Council add a further pressure of over £8 million over the next five years.

These sort of pressures are blighting local government. We are aware that across the sector Councils are facing bankruptcy, with several having already issued “Section 114” notices halting non-discretionary expenditure. The Conservative leader of Hampshire Council talked of facing “financial meltdown” and stated that “the government must intervene”, while the Conservative leader of Kent County Council talked about “sleepwalking into financial disaster”. Our representative organisation, the LGA, has pointed to an “inflationary storm”, with councils facing a £4 billion funding gap over two years – simply to maintain services at their current level. Hastings, like Oxford a district council, has seen temporary accommodation costs rise by more than 400% in just three years, under huge pressure with this absorbing nearly half of its core spending power. Closure of leisure centres is becoming an increasingly common phenomenon across the country.

While our Oxford Model, generating income from our companies and our commercial property, as well as sound financial management, has meant that we are not currently at risk of bankruptcy, we have to take measures to stabilise our finances. We have tried to safeguard major areas of spend, and in particular focus wherever possible on delivering services more efficiently and on generating new streams of income. However, this budget includes some unwelcome immediate changes, such as increases in garden waste and some parking charges (although Park and Ride has been reduced in partnership with Oxford Bus Company in recent times). Next year, if our campaign for proper resourcing from central government does not bear fruit, we will need to look at reducing around £540,000 each year from the overall gross budget in this area of work of £6.5 million per annum, and we will have to revisit our policy, unusual nationally, of exempting low income working-age households from council tax benefit entirely.

These changes are a last resort, and even after them we expect to retain our network of leisure centres and parks, to move forward our major programme of council house building, and to continue to support youth work and community groups. Often, the right thing to do actually saves money: for instance, our investment in sustainability will provide a growing income stream from charging points for electric vehicles, and our investment in the covered market will safeguard the income stream from that valuable resource.

In the meantime, we will send a message to politicians of all political colours loudly and clearly: local authorities have been cut to the bone since 2010 and the days of austerity, and this cannot continue without communities being harmed. We will continue to do our bit, making our organisation more efficient and going the extra mile to serve our communities, but we need central government, too, to play its part.

INTRODUCTION

1. This report sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the four years 2024/25 to 2027/28 and gives interested parties the opportunity to comment and be consulted on the Council's budget proposals for the financial year (2024/25). The report covers all aspects of the Council's spend: General Fund revenue expenditure funded by the council taxpayer, government grant and other sources of income, Housing Revenue Account (HRA) expenditure, funded by council tenants' rents, and the Council's Capital Programmes (General Fund and HRA) funded by capital receipts, revenue and borrowing.

2. The proposed Medium Term Financial Strategy:

   a) Is financially balanced over the five-year period with the use of a net £7.5 million of earmarked reserves.
   b) Assumes Fairer Funding reforms to business rates, which are likely to disadvantage Oxford City Council, are delayed by the Government is introduced in 2025-26.
   c) Assumes New Homes Bonus is extended for one more year in 2024-25.
   d) Assumes a council tax increase of 2.99% for 2024-25 in line with previous Government announcements and annual Council Tax increases of 1.99% thereafter.
   e) Assumes dividends from our wholly owned companies over the period of around £30 million.
   f) Assumes an increase in council house rents of 7.7% in 2024-25 to an average of £129.72 per week.
   g) Assumes new build of dwellings by the councils wholly owned Housing development company OXPlace of 1,428 dwellings over the life of the development programme, of which 1,277 social dwellings will be sold to the Council. In addition, a further 352 social dwellings will be acquired by the Company from the Barton development.
   h) Includes £17 million of efficiencies and increased income over the four-year period with an ongoing increase of £3.8 million from 2028-29 onwards.
   i) Includes spend on energy works and reducing carbon emissions over the next five years of over £33 million in relation to council housing.
   j) Facilitates capital investment of £922 million over the next five-year period.

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

   Section A Economic context, our priorities and budget setting strategy
   Section B General Fund Revenue Budget
   Section C Housing Revenue Account (HRA) Budget
   Section D Capital Programme

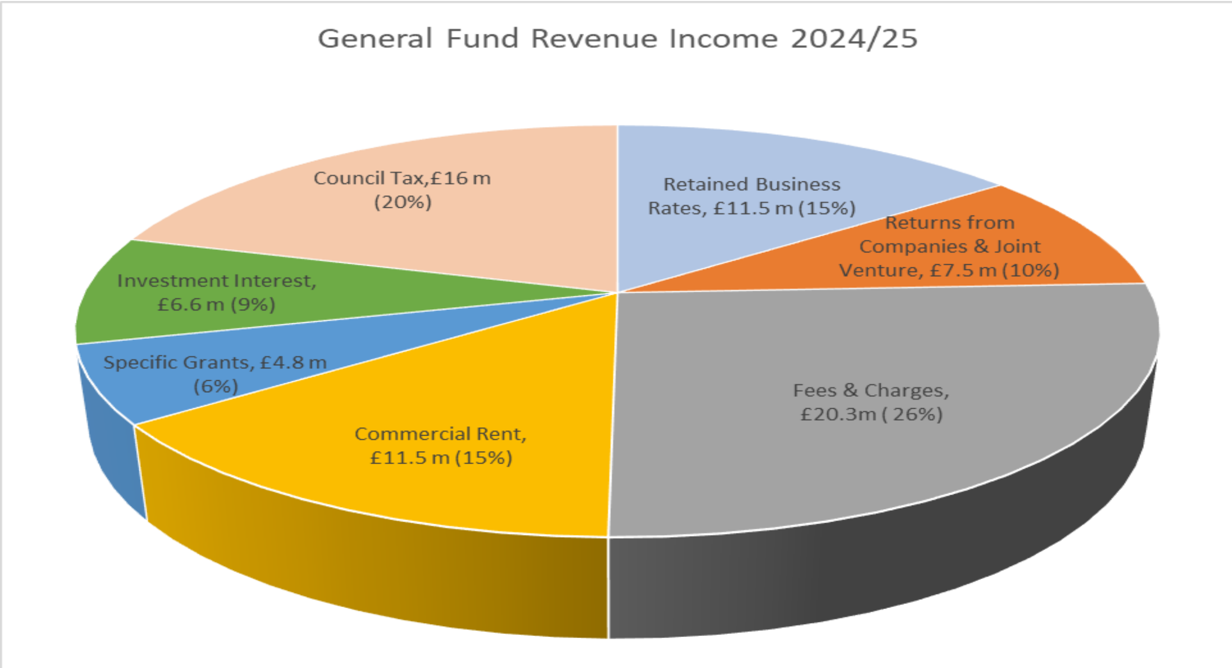
Section A - Background and Context

Background

4. This report sets out the Council's financial plans for the period 2024/25 to 2027/28. The plans make assumptions about income from Government grants, Council Tax and rents. The plans underpin service provision and the Council's vision of "Building a World Class City for Everyone".

5. The Council operates an 'Oxford Model' which seeks to support and maintain services from income streams driven from fees and charges, income from our assets and financial returns from our wholly owned companies. A breakdown of gross income of around £78 million from various sources is shown graphically below.

Table 1: General Fund Revenue Income 2024-25

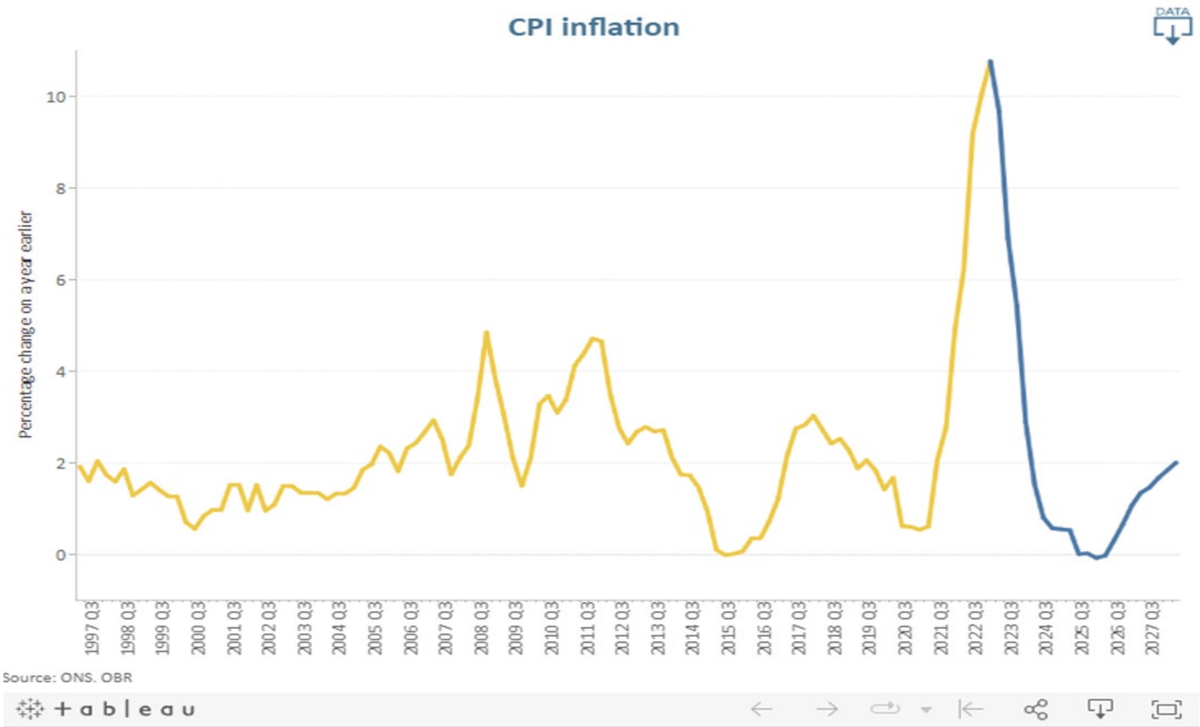


6 Over half of our financial resources are derived from sources generated by the Council, with 10% being delivered by the Councils wholly owned companies OXPlace and ODS. This level of income maximisation requires a commensurate level of staff, providing technical knowledge and professionalism without which would require the council to make unprecedented cuts in its services.

Inflation

7. CPI inflation rose by 6.7% in the 12 months to September 2023 the same rate as in August. More recently this was revised for October to 4.6%. The latest forecasts by the Office for Budget Responsibility (OBR) for inflation are shown below with inflation still forecast to fall back significantly in 2024.

Table 2: Inflation Forecasts



Interest Rate Forecasts

8. On the 2nd November 2023 the Bank of England held base rates for the second time in a row at 5.25%.

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

Table 3: Interest rate forecasts from December 2023 to December 2026

Comparison of forecasts for Bank Rate today v. previous forecast													
Bank Rate	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
07.11.23	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
25.09.23	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
Change	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25

10. Base rates are forecast to remain at the current level until falling back in December 2024. Investment earnings on cash balances and borrowing will equally continue to be high and then fall as indicated.

11. The only debt held by the Council is in respect of HRA self-financing taken out in April 2012 at around £198 million, at fixed interest rates of up to 50 years. The Council capital programme is heavily financed by borrowing although the Council currently uses internal funds, as these are the cheapest form of borrowing. As the Capital Financing Requirement increases so will the need to undertake external borrowing.

Autumn Statement 2023

12. The Chancellor's Autumn Statement was announced on 22nd November. The Finance Settlement is thought to be announced in late December 2023. In the absence of the government's announcements, it is difficult to estimate with accuracy what the announcement will contain. In preparing the estimates for the Council Medium Term Financial Plan the following assumptions have been made:

Council Tax
From April 2024, the referendum limit for increases in council tax will rise to 3% per year or £5, whichever is greater, this is consistent with the announcement last year which indicated a 2-year position.

Business Rates – It is stated that local authorities will be fully compensated for the loss of income as a result of the new business rates measures detailed below and local authorities will receive new burdens funding for administrative and ICT costs.

- **Multipliers**: business rates multipliers will increase in line with inflation.
- **Retail, Hospitality and Leisure Relief**: relief for eligible retail, hospitality, and leisure businesses extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023-24 will not be extended into 2024-25.
- **Fairer Funding** – The review will continue as planned from 1-4-2025 onwards.

Other Funding
- **New Homes Bonus –** New Homes Bonus will be extended for 1 year (2024-25) based on existing criteria.
- **Funding Guarantee Grant –** The one-off grant introduced last year will continue for one more year.
- **Services Grant –** The one-off grant introduced last year will continue for one more year.

Social Housing
- Rents for social housing will be capped at 7.7% in 2024-25 consistent with the position in 2023-24.

Corporate Priorities

13. As in previous years the Cabinet will set a consultation budget in December with a view to presenting a final budget taking account of the results of this consultation to Cabinet and Council in February 2024 in line with its key corporate priorities approved at Cabinet in February 2020:

a) **Enable an inclusive economy**, key deliverables include:
   - o The Council's staff are skilled and confident in delivering services our residents want and the workforce as a whole better reflects Oxford's diverse population
   - o The Council's supply chain supports more local businesses, including social enterprises and cooperatives, promoting wider benefits to the local economy

- The Council delivers inclusive economic growth by supporting the delivery of new jobs and infrastructure

b) **Deliver more, affordable housing**, key deliverables include
   - The Council has increased the supply of high quality, energy efficient housing with a balanced mix of homes for sale and to rent at different price points
   - The Council's Blackbird Leys regeneration delivers high quality homes and a better use of space
   - More Council and private sector tenants are supported to stay in their homes where they face the prospect of eviction

c) **Support thriving communities**, key deliverables include
   - The Council's services, grants, community and leisure facilities, parks and cultural events have helped reduce inequality, increase cohesion and improve health and wellbeing across Oxford's communities
   - Children and young people's resilience and confidence is increased through the educational and recreational activities the Council offers
   - The Council's public spaces remain clean, safe, well maintained and are more accessible

d) **Pursue a zero carbon Oxford,** key deliverables include
   - The City Council making significant progress on the journey to reduce its own carbon footprint to zero
   - All new building by the Council progressing towards near or net-zero carbon standards
   - The Council's existing council housing is being made more energy efficient

e) **Well Run Council** key deliverables include
   - Deliver modern accessible services for our diverse communities
   - Ensure financial resilience so we can continue a wide range of services
   - Ensure high levels of cybersecurity

14. The next Council Strategy 2024-28 is currently under development and we will also ensure alignment between the MTFS and the new strategy.

15. The budget re-set strategy has been undertaken by:

a) Reviewing all four-year assumptions around changes to the base budget.

b) Introducing officer proposals to reduce spend or in some instances increase income where it is prudent so to do.

c) Liaison with the Council's wholly owned companies on their future business plans and adjusting the amount of financial return and dividend to the Council accordingly.

d) Maximising the use of the assets held by the Council.

e) Using reserves to smooth out fluctuations in the General Fund over the four-year period, whilst ensuring that such reserves are not depleted further over the over the four-year period beyond the £11 million taken from the COVID emergency reserve agreed at Cabinet in July 2020.

f) Cutting or reducing discretionary services, which is a last resort.

16. Taking account of this strategy the key assumptions are outlined below.

Section B General Fund Revenue Budget

Key General Fund Assumptions

Retained Business Rates

17. Business rates income collected by Oxford City Council as billing authority is split 50/50 with central government with the billing authority's 50% share split 80/20 between Oxford City Council and Oxfordshire County Council respectively. From its 80% share the Council pays a tariff to central government and retains a baseline amount (set by the Government) together with 50% of the retained income above this baseline. The main components of the system with estimates of individual elements for Oxford City for 2024/2025 are shown below. The overall amount of retained business rates by the authority for 2024-25 represents around 10.4% of total business rates income.

Table 4: Retained Business Rates 2024-25	
	£million
Estimated Business Rates Income	114.243
Billing Authority Share (50%)	57.121
Oxford City Share (80%)	45.697
Less Tariff paid to Government	32.436
Amount remaining after tariff (A)	**14.121**
Baseline Business Rates	6.929
Income above baseline (£14.121- 6.929)	7.192
Levy -50% of income above baseline **(B)**	(3.596)
S31 Grant adjustment **(C)**	1.378
Total retained business rate income (A+B+C)	**11.903**

Notes:

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

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

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

Oxfordshire Business Rates Pool Arrangements

18. For 2024-25 as in previous years the West Oxfordshire Business Rates Pool consisting of Oxfordshire County Council (OCC), Cherwell District Council (CDC) and West Oxfordshire District Council (WODC) will be formed.

19. Oxford City Council is not part of the current Business Rates Pool as the Council's inclusion does not optimise the financial return to Pool members given the interaction of levy payments to Government. In order that the Council itself is not financially disadvantaged it is part of a Business Rates Distribution Group (the Group) with South Oxfordshire District Council which receives a distribution of growth achieved from the Pool in exchange for taking some of the risk for business rates losses. This risk is deemed acceptable by the Council's Chief Financial Officer given the potential one-off return to the Council. A recommendation to join the Group for 2024/25 is part of this report.

Levelling Up and Regeneration Bill

20. The Levelling Up and Regeneration Bill, received Royal Assent on 26th October 2023. 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.

21 In the February 2023 Budget Report members agreed to implement these changes when it was able to do so. 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.

22 Based on current numbers of second homes and dwellings that are empty for between one year and two years approving the amendments could raise around £200k additional council tax income for Oxford City Council per annum assuming a reasonable attrition rate, with benefits also accruing to the County Council and Police.

New Homes Bonus (NHB)

23. For 2022-23 the Government made a one-off New Homes Bonus payment of £365k to the Council but this did not come with the four year legacy payments that existed under the previous methodology. Ongoing legacy payments of £105k were also paid and the total of £470k was reflected in the 2022-23 budget. There is an expectation that New Homes Bonus will be paid for one more year, 2024-25 and an amount of £500k has been reflected in the MTFP. More information may be made available in the Autumn Statement.

Corporate Planning Assumptions

24. **Council Tax Increase** – The level at which Council Tax can increase without a referendum is currently 3% or £5, whichever is the higher, for District Councils for 2023-24 and 2024-25. The recommendation is to increase council tax by 2.99% for 2024-25 before falling back to 1.99% for the remainder of the MTFS period. Each 1% increase represents around £150k on annual income.

25. **Tax Base** - In calculating the tax base on which to apply its council tax the council has been reviewing its policy around empty homes discounts. All local authorities have the power to vary discounts that are applied to empty homes. Class C

discounts relating to unfurnished empty homes has always attracted a 100% one-month empty home discount. Removing this discount would:

- Be in line with what most local authorities have already done.
- Would encourage landlords in particular to reduce voids and speed up the letting process returning homes back into use more quickly.
- Provide additional financial resources to the Council. For 2022-23, 1,500 dwellings claimed this discount resulting in a loss to the public purse of approximately £349k in council tax, £40k relating to the city council.

26. **Interest rate assumptions** – Based on the Bank of England Interest rates shown on Table 3 paragraph 9 the following interest assumptions have been made:

    a. Investment interest – 5.25% - 2.75%

    b. Borrrowing rates – 5.30% - 3.60%

27. **Externally Managed Property Investments** – The Council has £10 million invested in two funds. The Council makes a return of around 3.5% and bears any variation in the capital value. The value of these funds has seen some decrease in recent months and the valuation for one of the funds has fallen back to the level at which it was purchased in 2014. As a result, the Council have filed a redemption request for £7 million which will result in the monies being returned to the Council. Revenue return has held up mainly due to occupancy rates from the non-retail property held in the funds remaining high.

    a) **Ray Valley Solar Farm** – The Council holds investments in Ray Valley Solar Farm of £4 million.

    b) **Multi Asset Funds** - The Council has appointed two fund managers Artemis and Fidelity to manage £5million each of the Council's investments. The funds consist of a diverse range of investments including stocks shares and cash the returns from such funds are usually typically around 3% significantly higher than investments in banks and building societies although clearly the value of such funds can go down as well as up. In recent months the value of these fund has reduced, reflecting economic conditions. They are long term holdings in nature although the position is being monitored.

    c) **OxWed Development** – The Council has made loans of approximately £12.6 million into its 50/50 Joint venture with Nuffield College which attracts a return of 6.5% per annum. Since the Joint Venture has yet to make a surplus, this interest is accrued rather than paid. At this point the total of accrued interest is £6.5 million. The joint venture is in the process of applying for planning permission to develop the site and subject to this, will then look to secure a development partner, or partners. At this point the Council's investment and accrued interest will be paid together with a proportion of the profits from the sale. The value and timing of profits at this point are uncertain although suitable budget assumptions have been made within the MTFS.

    d) **Housing Company** – The Council provides subsidy control compliant loans to its wholly owned company Oxford City Housing Ltd and makes a return above that which it borrows from PWLB. The marginal return is currently 3.20% for development company loans and 1.5% for Investment company loans, the latter company having significantly more assets. In addition to interest returns the company makes dividend returns to the council which are estimated at around £11million over the 4-year MTFS in addition to the

£2million to be paid to the Council in 2023-24. This is a reduction of around £2million compared to what was previously assumed, reflecting rising costs including corporation tax and increased build costs.

28. **Inflation** –Most budgets are cash limited. The Consumer Prices Index (CPI) remained at 6.7% in the 12 months to September 2023 the same as August 2023. The most significant impact is on materials purchased by Oxford Direct Services in respect of repairs and maintenance and the council's capital programme, for which some budgetary provision has been made.

29. **Utility Costs –** £1.2 million – Utility cost inflation continues to remain volatile. In last years budget an additional amount of £1.2 million per annum was included to cover increases in utility costs. This seems sufficient to cover increased costs for 2023-24 but . given the difficulty in forecasting this spend, the assumption remains the same going forward, creating a significant budget pressure.

30. **Pay Assumptions** – The two year pay deal agreed by the Council and unions in 2022 expires on 1st April 2024 and negotiations have already commenced on the pay deal after this date.

31. **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 2026. In 2023-24 Council agreed to provide for another prepayment of £5million into its pension fund. The prepayment reduces the employer's contribution rate for all employees in the fund both within the City Council and ODS for a period of three years with the contribution rate reverting to the standard rate at the end of the period. The initiative reduces expenditure by approximately £1.2 million over the three-year period as well as returning £4million of the prepayment back to the Council for use in subsequent years.

32. **Capital Financing** - Capital financing for the draft Capital Programme is detailed in Section D. Given the budgetary pressures experienced from the Council no revenue contributions have been assumed to finance capital which is largely funded by borrowing, the revenue implications of which have been included within the MTFS.

33. **Neighbourhood Community Infrastructure Levy (NCIL)** - In line with CIL regulations 15% of CIL received in unparished areas of the city, which do not have an adopted neighbourhood plan, are retained by the city council for allocation. This money is for the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on an area. The City Council plans to use this NCIL to reverse the use of NCIL to fund transportation of £75k previously agreed, retaining previous allocations and allocating the residual to community sector grants, for the next 4-year period. Additionally, the city council currently allocate £5k annually to ward councillors not within a parish or Neighbourhood plan area. The ward councillors then allocate this on projects that they identify through ongoing engagement with their communities. This approach and allocation will continue.

Efficiencies

34. Additional Efficiencies totalling £2.3 million are estimated from 2027-28 as shown in Appendix 3. There are several new efficiencies identified including:

Ongoing efficiencies

a) **Service efficiencies in Policy and Comms - £44k** from year 2.

b) **Payments – £35k pa -** digitisation of invoice payment processing.
c) **Delivery of cafeteria in Cutteslowe Park - £25k** from year 2.
d) **Youth ambition service £50k from 2025-26** – Review alternative delivery options that may bring in more funding.
e) **Robotic processing automation** and channel shift in Housing Benefits services and contact centre– ongoing service savings of £110k per annum
f) **Paperlight** – £73k per annum reducing paper and digitisation in Planning Services
g) **Housing Needs restructure** - £50k per annum reduction in service costs

Service Reductions

35 Regrettably, as highlighted above, the City Council simply does not have funds to maintain all areas of discretionary expenditure without additional government support. We will press the case strongly for additional support to be forthcoming. However, as things stand, there are a number of service reductions which have been included in the budget as follows:

h) **Street scene – £32k pa** 11% reduction in scheduled activities across suburban areas.
i) **Grass cutting in parks £36k** grass cutting would be reduced in small parks from the current monthly cut to 6 weekly.
j) **Transport – £75k –** Reduction in existing capacity working with the Highways Authority, Oxfordshire County Council, on transport, a non-statutory function. This will result in the council reverting to being statutory consultee on transport policy only, via its planning policy function unless it is fully funded.
k) **Waterways –** £22k – reductions in expenditure which will result in the Council ceasing its current activities in relation to the monitoring of the water quality and work to support clean water bathing. Existing officer capacity will be retained, but with this reduction offset through capital funding where possible and refocused on essential waterways capital asset related work. .
l) **Corporate training budget –** 22% reduction in the £180k corporate training budget.
m) **Year 2 savings and onwards:**
   - **Strategic review of services provided across Community Services**-£497k per annum with effect from year 2 based on current gross spend of around £6.5 million per annum.
   - **Strategic review of spend on services provided by ODS** - £400k - £800k per annum from year 2 based on current spend of around £23 million per annum. This should result from some efficiencies moving ODS closer to benchmark spend but may also affect the quality of some services.
   - **Grants to the voluntary sector – £200k** reduction from year 2 onwards to allow time to work with partners on alternative sources of funding.
   - **Empty Homes - £37k from year 2-** scale back work in this area or lever in alternative sources of funding.
   - **Civic expenditure - £21k per annum** – scale back spend in this area including reviewing mayoral and twinning events, catering and associated support.
   - **Law and Governance** - £13k rationalisation of staffing.

Transformation – 'Fit for the Future' Programme

36. The Council continues to make progress towards efficiencies delivered through its Fit for the Future Programme. Areas being of focus previously identified:

- Digitalisation of services
- Rationalisation of office accommodation and improved ways of working
- Streamlining systems and processes
- Customer Experience – streamlining and redesigning how the customer interacts with the council whilst looking to channel shift many of our services towards digitisation

37 Approximately £0.4 million of ongoing savings have been included in the in the MTFP derived from new ICT development and also customer experience. A further £1 million of additional ongoing savings are also included in the later years of the plan, from further transformation work and changes to management arrangements with around £0.4 million already delivered.

38 The Council vacated its main administrative buildings at St Aldates Chambers in 2022 and most staff and now predominantly work from home. Although there have been some delays in letting the buildings the Council is still on course for the delivery of full year savings from 2026-27 of around £1.5 million per annum from this initiative.

Income

39 Income over the 4 year period is set to increase by another £6.5 million, over the current base budget and primarily includes:

a) **Corporate Property - £4.3 million** – The headline commercial rent income figure is currently estimated at around £12m - £13m which compares favourably to pre Covid income of around £11.9 million. However, most of this increase is brought about from proposed changes in the property portfolio including potential changes to upper floors of city centre property (£500k) with a primary focus on Broad Street and George Street. The City Council is also pursuing other opportunities across the Council's commercial property portfolio, in terms of regeneration schemes at Cadogan House and the Odeon and the letting of the previous Council offices at St Aldates Chambers.

b) **Planning Fees - £385k.** The Government has recently announced that is it to increase sharply planning application fees by up to 35% with effect from 1-4-2024. Major applications rise by 35% and all other applications by 25%. The expectation from the Government is that local planning authorities utilise the income to support additional resource within departments and provision has been made in the budget for this to happen.

c) **Car parking income - £6 million.** Car parking income is still around £1 million down in comparison to the budgeted income in 2020-21 (12% of gross income). The largest reduction is in respect of park and rides which is still an estimated 32% down on the pre Covid income. Changes to parking tariffs in the budget proposals from 1-4-2024 include increases of 50p for park and ride car parks and 5% for all other off street car parks.

d) **Museum income - £40k** per annum was included in 2023-24. An additional amount of £60k has been included in 2024-25.

e) **Environmental Sustainability –**The Council is at the forefront of introducing electric vehicle charging technology and derives money from the establishment of a Dynamic Purchasing System (DPS) procurement platform for other authorities to use. Income fluctuates but an amount of £150k ongoing income from the contract has been included
f) **Electronic Vehicle Infrastructure** –Utilising Government funding the council are looking to install and grant concession contracts for charging points in the city. Net income is estimated at around £150k per annum by year 4 of the MTFP.

40. **Pioneering Places Programme - £400k grant funding.** The Council has submitted a bid for grant funding through Innovate UK to develop detailed local plans for innovate approaches to unlock non-technical systems barriers to the delivery of net zero targets. The external grant funding will replace some existing Council funded workstreams over a 21 month period from February 2024, resulting in net income of approximately £400k.

41. **ZEZ pilot –** In 2023/24 £100k income was included within the budget on a 2 year pilot. Recent discussions with the County Council would indicate that this income would be ongoing and that the current volume should be increased by another £60k.

42. **Management fee from leisure operations-** £500k per annum. The Council is currently out to tender for the future operation of its leisure facilities from 1-4-2024. The council currently receive a management fee from the existing operator of £500k per annum and this assumption currently remains unaltered.

43. **Council tax reduction scheme (CTRS)-** £146k from 1-4-2025. The Council currently provides 100% funding for CTRS claimants and is one of the few authorities to do so. The Council can change the scheme for working age claimants and the proposal is to change this to 85% producing additional Council Tax income of £230k; the net gain to the budget takes account of costs of additional officer resources to be employed to collect the income. The need to make this change will be kept under review and precise future arrangements will be the subject of detailed public consultation.

44. **Fees and Charges** – Details of specific fees and charges increases in 2024-25 are given in Appendix 7 with summary details below:

    a) **Off street Car Parking** – 5% on all car parks with the resultant increases:
        i. City centre goes from £5 to £5.25 for first hour (or **£31.40 to £33** for 6-8 hours)
        ii. District centres go from **£2.20 to £2.40** for first hour
        iii. Parks go from **90p to £1** for first hour

    b) **Park and Ride** – 50p on all tariffs but with first hour free. Increases range from 4% to 25%
    c) **Car parking permits**
        i. Outer car parks – annual permits up from £50 to £100 alongside other changes
        ii. Park and rides – annual permit up from £300 to £370 alongside other changes
    d) **Garden waste bins -** £75 increased to £85 (13% increase) with an increase in the concessionary rate from £47.16 to £50 i.e. 6.02%

e) **Replacement bins –** for the replacement of two wheeled blue, green and brown bins - £30 increasing to £35 i.e. 17% increase
f) **Bulky Waste collection:** Current charge of £20 per item increasing to £22 (10%) and from £30 to £33 (10%) for larger items, e.g. refrigerators, washing machines etc. with concessions remaining unchanged. 50% concessionary rates.
g) **Land charges** – 10% increase
h) **Planning fees –** At the time of writing this report the Council have yet to receive notification from the Government of the increase but it has been assumed on the basis of policy announcements to date.
i) **Building control –** Increases ranging from 1-5%
j) **General Licenses –** increases of up to 5%

Leisure activities
The Council is currently out to tender for the future operation of its leisure centres from April next year. Fees and charges will be set in consultation with the incoming operator when the results of the tendering exercise are known.

Other
k) Cemeteries- exclusive rights of burial - £10 (0.96%)
l) Pest Control – rates, mice etc. – £9.37 (10.4%) – 50-60% concession for most services with 27% concession for rats and mice
m) Dog warden collection - £15 – (10.1%)
n) Taxi Licenses - (6% - 8%)
o) Garages - £1.25 – 7%

New Expenditure

45. Excluding pay inflation there is increased expenditure totalling £7.3 million estimated over the four year period, with ongoing spend of £1.766 million from 2026-27 onwards. Of this amount a significant proportion is charged to capital to assist with the managing of the programme including additional lawyers, finance staff and regeneration managers who are required to deliver these projects and drive income to the council.

46. Significant items of new spend include:

a) **Staffing – 19 fte - £936k, (£682k recharged to HRA, capital and covered from new income)**
- 2.5 fte for Procurement/ EV contract £150k pa (covered by income)
- Up to 7 new planning officers (£385k) to meet assumed new targets expected to be imposed by central Government in line with planning fee increases (alongside use of some income for protection of existing capacity). Resource requirements need to be kept under review pending confirmation of targets in coming months.
- 1 New staff member in property services to provide ongoing support to leisure operations managing contractual obligations in relation to asset maintenance £54k
- 2 new staff in capital programme delivery and Performance reporting - £193k – (recharged to capital and HRA)
- Utilities officer £60k (£30k charged to HRA) to support all teams with essential utilities connections, metering, billing and management

- 2 staff for Fibre to Homes initiative which will see council tenants benefit from fast internet being rolled out and avoid digital divide £80k (recharged to HRA)
- 2 Construction Design Management (CDM) posts £120K (£60k recharged to capital)
- Cyber security officer to deliver recommendations of risk audit and protect from disruption to services and resulting costs £60k
- Property – new staff required to support delivery of environmental sustainability projects £50k

b) **Temporary Accommodation (TA) – Additional £300k per annum** - Current increases in severe housing needs, homelessness and TA are being driven by various demand factors, alongside unprecedented rises in rent levels and contraction in the supply of social and private rented accommodation. The main sources of pressures stem mainly from cost of living factors (fewer people able to afford to rent privately, more Section 21 notices being served to evict), coupled with additional pressures from other groups e.g. refugee and migrant households (Ukraine, asylum dispersal hotels, Afghan resettlement and hotels), changes in Domestic Abuse legislation and case law. At the same time, there have been significant contractions to the supply of Private Rented Sector (PRS) accommodation as a result of recent interest rate shocks and steep rises in rent levels. With the Local Housing Allowance (LHA) rates frozen at 2011 levels, the private rented sector is now largely unaffordable to most households on benefits. The social housing supply pipeline is also contracting as Local Authorities and Registered Providers can no longer meet all the demands placed upon them. Together these pressures are culminating in more people losing their homes and unable to find alternative accommodation, leading to increased homelessness and need for TA.

b) **Planned repairs and maintenance** – The base budget for planned maintenance is currently £1.3m per annum. A substantial amount of building repairs has been capitalised but allowing for an additional £233k per annum in the budget is required to cover those items which do not meet the criteria for capital and therefore cannot be capitalised.

c) **Additional cost of Project Management Office – £150k per annum.** The recent Local Government Association Peer Review expressed concern about the lack of resources available to the council to ensure the delivery of key (non-capital) projects across the council that are not of a technical nature. The inclusion of an extra £150k per annum will allow for 2 FTE staff to manage these future projects. Given the volume of savings associated with these projects proposing this funding is prudent.

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

Table 5 – Medium Term Financial Strategy 2024-25 – 2028-29

	Summary General Fund MTFP 2024-25 TO 2028-29				
	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027-28 £000's	2028-29 £000's
Total Base Budget	**31,347**	**31,347**	**31,347**	**31,347**	**31,347**
Service Proposals					
Contractual Inflation	65	65	65	65	65
Pressures	1,269	1,073	939	943	943
Existing Efficiencies	(235)	(500)	(678)	(678)	(678)
Invest To Save	(371)	(515)	(1,015)	(1,015)	(1,015)
Fees And Charges and rents	(1,810)	(3,978)	(4,968)	(6,165)	(6,165)
New Investment/Bids	(2)	(337)	(345)	(345)	(345)
Transformation & New Efficiencies	(2,327)	(2,654)	(3,021)	(3,125)	(3,125)
Service Reductions	(330)	(369)	(372)	(372)	(372)
	(3,741)	(7,215)	(9,395)	(10,692)	(10,692)
Corporate expnditure - pay, interest, cost of capital	**1,993**	**3,064**	**10,285**	**10,502**	**8,424**
Net Expenditure per consultation Budget	**29,600**	**27,196**	**32,238**	**31,158**	**29,079**
TRANSFER TO/(FROM) RESERVES	**(1,064)**	**(198)**	**(4,352)**	**(2,357)**	**664**
NET BUDGET REQUIREMENT	**28,536**	**26,998**	**27,886**	**28,801**	**29,743**
FUNDING					
TOTAL FUNDING	(28,536)	(26,998)	(27,886)	(28,801)	(29,743)
Deficit /(surplus)	**0**	**0**	**0**	**0**	**0**

Key:

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

Appropriation of Roken House

48. At Cabinet on 10th November 2021 and subsequently Council on 29th November 2021 members agreed to purchase Roken House on Lake Street, a building of seven flats (5 x 1 beds and 2 x 2 beds) and an office, providing capital budget for this purchase, plus subsequent re-modelling and refurbishment. The intent was to convert the scheme into 8 one bed flats and an office for use as Temporary Accommodation (TA), with additional support provision. The original budget envelope was £1,650,000 (£1.4m of which was the purchase cost).

49. Originally the purchase was to be financed from Retained Right to Buy Receipts (RRTBRs) from housing sales, but a change in the guidance from Government on the use of this funding in 2021 removed the option of being able to use RRTBRs to fund TA property (in favour of permanent affordable housing

only). An additional £200k of refurbishment cost was also identified for fire safety works.

50. To mitigate this financial pressure on the General Fund, Roken House has since been redesignated as permanent affordable housing, with the homes to be let at Social Rent. This will require an appropriation to the HRA and will enable the use of RRTBRs as originally intended to finance 40% of the capital costs, plus provide a valuable housing resource that will also relive pressure on temporary accommodation use. The appropriation will be undertaken by an adjustment to HRA and General Capital Financing Requirements and equivalent debt at the current valuation of £1,850,000. The refurbishment works are expected to complete in January 2024, and will now deliver a scheme of 9 one bed flats (the office having been designed with the ability to switch to residential if required).

Use of Working Balances and Transfers from Reserves

51. The Council has around £7 million remaining in the risk reserve established during the COVID Emergency and intends to use this all of this over the 5 year MTFP to balance the budget. Other earmarked reserves that are not ring fenced at 31-3-2023 stand at around £11 million. In addition to these reserves there is another £3.6 million un-ringfenced working balance.

Risk Implications

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

a) Provisional Finance Settlement is not as good as assumed when announced in December
b) Savings from efficiencies and transformation are not achieved
c) Council income streams continue to be affected by the pandemic beyond the provisions already made in the MTFS
d) Failure or uncertainty of major partners to deliver for instance in Leisure
e) Pay negotiations are more than budgeted from April 2024 onwards
f) Companies do not perform as well as expected leading to reduced income to the Council
g) Business Rates income is lower than forecast
h) Variations in interest rates or non-performance of property funds and multi asset vehicles effecting returns to council
i) Slippage in the capital programme adversely affects revenue savings and additional income in the MTFS
j) Cuts by partner organisations such as the County Council adversely affect service provision

Wholly Owned Companies and Joint Ventures

Oxford Direct Services Ltd

53. On 1st April 2016 the Council established a wholly owned local authority trading company for services provided by Direct Services at that time. The company takes the form of:

a) A Teckal company (Oxford Direct Services Ltd)– providing all statutory services to the Council benefiting from a procurement exemption together with externally traded services for engineering, motor transport and building works
b) A Trading Company (Oxford Direct Services Trading Ltd) – providing externally traded commercial waste services

54. The company filed their year accounts for 2021-22 To Companies House on 15/8/2023. At the time of preparing this report the companies 2022-23 accounts are still subject to audit. Since going operational in 2018 the company has paid 2 dividends to the Council in the sum of £1.947 million. ODS Board have declared an additional dividend to the Council of £4 million which is approved for payment. Once the 2022-23 accounts have been signed off by the auditors, the Board will consider declaring an additional dividend over and above the £4 million.

55. The revised Company Business Plan financials (which now comprise two separate plans for ODSL and ODSTL will be presented to shareholders in December (with the plans themselves to follow early in 2024) and revisions to the company dividend return to the council for future years has been factored into the Councils MTFS based on this revised business plan. Surpluses from ODSL are understood to be flat lining at £1.9 million per annum for the next few years a reduction from the £3m per annum agreed in the last company business plan. Reasons given for the reduction include, increased rents charged by the council and paid direct (£193k) lease rent paid direct to council in respect of new cemetery (£50k) per annum, one off cost of living payment made in 2023-24 funded by ODS (£500K). In addition, a reduction in gross margin due to the change in composition of revenue from OCC has also been sighted as a reason for the reduction. The trajectory of surpluses from ODSTL are also reducing by around £575k per annum from 2024-25. A breakdown of surpluses is shown below:

Table 6 : Oxford Direct Services Revenue – 2021-22 to 2026-27

		ODS Business Plan -Dec 2022					Assumed
		2021-22	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Profit after tax							
	ODS	1,211	1,727	3,147	3,109	2,975	2,975
	ODSTL	619	501	912	1,597	2,345	2,345
	Total surplus	**1,830**	**2,228**	**4,059**	**4,706**	**5,320**	**5,320**

			Updated ODS Business Plan -Dec 2023					Assumed
			2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
			£000's	£000's	£000's	£000's	£000's	£000's
Profit after tax								
	ODS		1,211	1,727	1,900	1,900	1,900	1,900
	ODSTL		619	501	808	1,022	1,770	3,242
	Total surplus		**1,830**	**2,228**	**2,708**	**2,922**	**3,670**	**5,142**

Housing Company- Oxford City Housing Ltd trading as OX Place

56. March 2016 the Council approved the establishment of a wholly owned Local Authority housing company that was incorporated in June 2016, Oxford City Housing Limited with the objective of delivering affordable housing and also a financial return back to the council. The Company, consisting of a holding company OCHL (Holding) Ltd, a development company, OCHL (Development) Ltd and an investment company OCHL (Investment) Ltd trades as OX Place.

57. The latest business plan presented to shareholders on 1st November 2023 'confirms that OX Place remains a financially viable 'going concern' but also highlighted the difficult trading conditions that the company had been experiencing with increased capital costs, increased interest borrowing rates and increases in corporation tax from 19% to 25% all having a material impact on the companies trading position. Additionally, the company's development programme has seen the removal of nine schemes, which were either not feasible at this time, or not viable, reducing development profits by £8.6million and the reworking of the existing programme of sites, plus the addition of a potential new scheme. The collective impact projects estimated profits of around £6.2 million i.e. a reduction of £2.4 million.

58. Whilst overall the revised company business plan shows profits in a number of years in years 2028-28 – 2029-30 expenditure exceeds receipts before the company comes back into surplus at the end of the plan of around £4m. Given the changes to the plan highlighted the previous dividend forecast to the council of £14.9 million over the 5 year period has now been scaled back to £12.9 million i.e. £2 million less with the shortfall arising in 2024-25 which has been factored into the councils MTFP. Whilst this has a negative impact on the council, this should be set against the fact that the first £2million payment of dividend has already been agreed by the OX Place Board with 1,428 dwellings to be delivered over the life of the development programme, 1,277 of which will be sold to the HRA leaving 151 for open market sale. In addition, 352 social dwellings will be acquired from the Barton Park development.

59. Members will note elsewhere in this Budget Report that the HRA is currently not planning to purchase any additional social housing from OX Place beyond the current plan finishing in 2031-32. As mitigation shareholders were also made aware that the Company is exploring the potential to establish a For Profit Registered Provider to enable the building of social dwellings to continue.

Oxford West End Development (OXWED) LLP

60 The Council has a 50/50 partnership with Nuffield College to undertake the development of the land at Oxpens for residential and commercial purposes.

61. 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.

62. In March 2021 Oxwed's shareholders resolved to proceed with the preparation of a master plan and the submission of a planning application. Oxwed has now submitted this application, which is awaiting determination.

63. 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 and in the first instance will pay off the outstanding loans and accrued interest of both Nuffield and the Council. Any surplus will then need to achieve sufficient to replace the current investment at 6.5% which could be in the form of reducing future borrowing for financing the capital programme.

Section C Housing Revenue Account Budget

Background

64. The Council continues to operate an ambitious programme of investment both in the maintenance and refurbishment of its existing stock of 7,833 council dwellings, regeneration of its council estates and also investment in new social housing dwellings constructed by the Council's wholly owned company Oxford City Housing Limited (OCHL). The current HRA Capital programme provides for £644 million of capital works over the next five years (£387 million when adjusted for optimism bias) with £353 million of this being spent on the purchases of 871 new build social houses, this being the commitment to OCHL over the current 10 year period. The current overall commitment to OCHL is for the purchase of 1,051 dwellings over a 10 year period of which 180 will have been completed by 31st March 2024. In addition to the OX Place new build developments, the HRA has directly completed on 54 new builds and 57 acquisitions over the same period. The capital programme includes a further 231 new builds over the MTFP.

65. In managing the future risks that will inevitably start to rise as more debt is taken on to facilitate new build housing and regeneration the Head of Financial Services as well as paying attention to net income makes use of Prudential indicators to manage these risks. Prudential indicators are used in the Treasury Management Strategy and are a matter of judgement by the Section 151 Officers but those typically used by banks and building societies to assist management would be:

a) Interest cover ratio – ratio of operating surplus divided by interest cost i.e. how many times interest can be paid from surpluses
b) Loan to value ratio- outstanding debt/ fixed asset value at year end
c) Debt to income ratio – Turnover / debt

66 The most widely used ratio is interest cover and used by the Council which measures how many times surpluses cover the interest charge and typically Registered Providers would operate on a ratio of 1.72:1 and 2.1:1. As a golden rule 1.25:1 would be acceptable especially given the significant housing development being undertaken by the Council.

67 In preparation of the revised HRA Business Plan the Section 151 Officer has agreed a trajectory of interest cover ratio to 1.25: 1 over the first 4 years of the Business Plan and thereafter budgeted spend is approved which seeks to ensure that this ratio is maintained at a level of at least 1.25:1.

68 The chart below shows this ratio graphically.

Table 7: Impact on Interest Cover Ratio

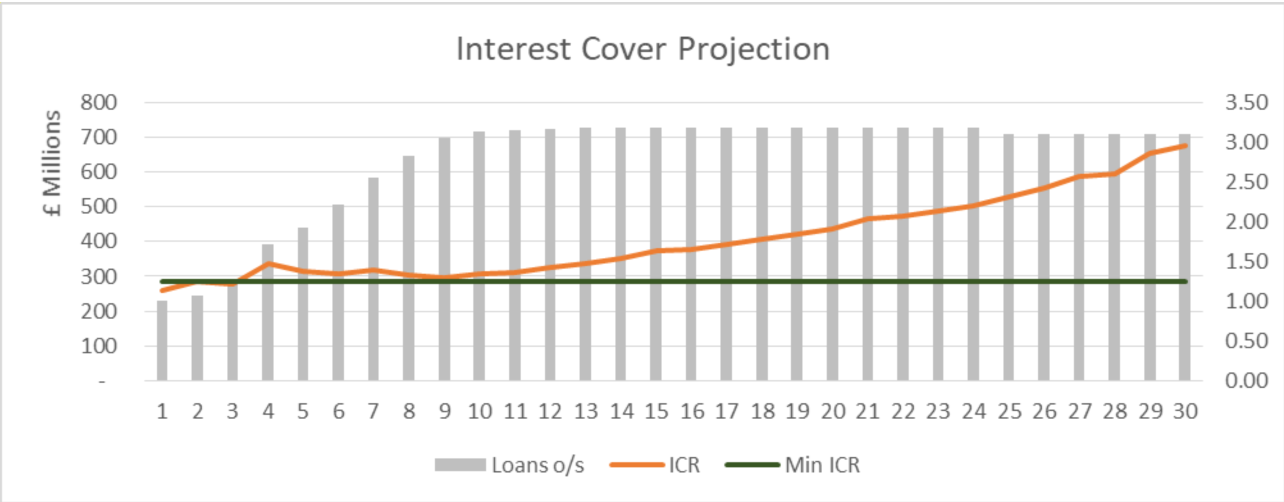


Table 8: HRA Interest cover ratio

Year	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Year in BP	4	5	6	7	8	9	10	11
Interest Cover Achieved	1.48	1.38	1.34	1.40	1.34	1.29	1.35	1.37

69 The chart indicates that there is limited capacity to accommodate any further spend in the HRA Business Plan until 2030-32 for schemes that do not generate a revenue return.

HRA Strategic Review

70 The council is currently undertaking a strategic review of its HRA to inform development of the HRA strategic business plan in future and maximise efficiency and value for money. This work is ongoing, but the initial recommendations as follows:

a Maximise income streams.
a. Prepare and publish a strategic vision for the HRA stock.

b. Establish stock condition data to inform planned works to drive a reduction in costly urgent and emergency repairs.
c. Increased efficiencies through improved planning and control at an operational level.
d. Lobby government for financial support to enable implementation of the new housing standards.

71 In response, the council are proposing the following:

a. Maximising Income - Rent Flexibility is already applied to new rental properties, and we are proposing to apply this to re-let properties following void works.
b. Stock Condition Surveys already planned and in progress.
c. Increased focus on planned capital works as opposed to more expensive reactive repairs. The proposed budgets reflect this aspiration.
d. Employing new staff to focus on planning & control at an operational level.
e. Reviewing the timescales and re-profiling of the capital investment requirements for the delivery of decency and carbon net zero to better represent the availability of resources required to deliver these improvements to the housing stock.
f. Not to agree to fund the acquisition of additional new homes from OX Place beyond the current programme, while further work is undertaken on wider investment priorities as set out above.

Key Assumptions in the HRA Business Plan

72 The HRA BP assumes that it will continue to purchase the affordable housing from OCHL's 10 year development programme 1,051 properties within a gross overall budget envelope for all years of £452m before grant and shared ownership sales. The HRA purchases such social dwellings from OCHL based on a set of 'financial viability indicators agreed with the Councils Section 151 Officer as follows:

a) Net present value (NPV)– positive over a 70 year period
b) Payback – 70 years or under
c) Internal rate of return IRR -(the discount rate which equates the Net Present Value to zero) of 3%

73 These criteria are comparable to the Housing Company of a positive NPV over 40 years, 40 year payback and 4% IRR. The HRA criteria are less favourable to reflect the nature of the social dwellings being purchased.

74 Work has also been undertaken to accommodate.

a) An increase in the level of HRA debt for the new build acquisitions by £350 million to cover all capital commitments.
b) HRA working balance not to fall below £3.5 million.

75 The debt profile of the HRA together with the resulting HRA working balance over the next few years is shown as follows:

Table 9 : HRA Outstanding loans and Working Balances		
	Closing Loan Balance	Working Balance
	£000's	£000's
2024-25	392,871	3,607
2026-27	440,871	4,489
2027/28	505,871	4,567
2028/29	583,871	4,528
2033/34 – Peak Debt	728,371	4,674
2060/61	105,079	664,055

76 As at 2023/24, the bulk of the loans outstanding with the HRA relate to the self-financing debt taken out in 2012. Interest rates on these loans are fixed at varying rates with an average of 3.5%. Further loans taken out to finance the Business Plan are estimated at £485 million with borrowing rates estimated at 4.1% reducing to 3.5% by 2026/27.

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

Key assumptions made in preparing the HRA budget for 2024/25 – 2027/28

Rent Increases

78 Under the Governments rent standard from 1st April 2020 rent may only be increased by up to CPI (as at September of the preceding year) +1% for a period of five years for local authority and housing association social rents up to 2025-26 at which point this will be reviewed by the Government. The financial year 2024/25 would be the fifth year of the rent standard. The government imposed a 7% cap on rent increases for the 2023/24 rent setting.

79 Following a period of consultation on the Autumn Budget speech delivered on the 17th November 2022, the chancellor announced a capping of rent rises to 7% for 2023-24 in line with the prevailing rate of CPI at the +1%. Assuming there will be consistency with this announcement on 22nd November 2023 then a similar cap based on the September 2023 CPI rate of 6.7% would give a maximum increase of 7.7% for 2024-25 with forecast of 2% thereafter.

80 As well as the restriction on maximum increases, rents are also capped as follows:

- **Social Rent** – applies to the majority of council dwellings - rent caps apply as a maximum ceiling on the formula rent and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead.
- **Affordable Rents** – applies to around 50 of our dwellings - The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent. 'Gross market rent' means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.

81 The HRA must adhere to these restrictions and caps on rent increases even if a tenant's rent is below formula rent, or if the HRA has previously applied a lower – or no – annual increase. Where this is the case, the HRA may only move the rent up to formula rent when the property is re-let following vacancy (subject to the rent cap).

82 The table below demonstrates the amount of rental income foregone as a result of these restrictions.

Table 10 : Rental Income Foregone			
	Number of Properties	Total Weekly Rent Foregone	Total Annual Rental Income Foregone
Actual Rent is less than Formula Rent	7,208	£72,856	£3,788,523

Rent Flexibility

83 Landlords are permitted under the regulations to set rents at levels above the social formula rents where it has taken local factors, market conditions and affordability into account. For general needs accommodation a 5% flexibility is allowable which the Council already applies to new build housing. For supported housing, such as sheltered schemes a 10% flexibility is allowable.

84 Not all our rents are at a level equal to the formula rent for the property. Where a property becomes vacant and is going to be let to a new tenant, the formula rent for the property shall be set at 105% of formula for general needs accommodation and 110% of formula for all supported housing units.

85 For planning purposes the assumed rent increase for 2024-25 is assumed to be 7.7% with increases of 2% assumed for future years. The impact on current rents of this increase is shown in Appendix 5.

Shared Ownership Dwellings

86. The HRA currently has 57 shared ownership dwellings on which rent is charged at the greater of:

(i) gross rent under the lease immediately preceding the relevant review date (April) X 1.005 and
(ii) gross rent under the lease immediately preceding the relevant review date X ((B/A) + 0.1) where B and A are the CPI indexes for the review month and 12 months prior respectively)

Right to Buy and other disposals

87. Disposal of around 20 dwellings per year is assumed from 2024-25 onwards. Within the development programmes to be purchased from OX Place, there will be shared ownerships on most of the schemes. The Council will receive a capital receipt from the initial element purchased by the homeowner. There will also be additional capital receipts if the homeowners opt to make additional

investment in the share of their home known as ‘stair casing’ enabling the homeowner to own a greater proportion of their home.

Inflation and pay assumptions

88. All the assumptions for inflation are the same as for the Council’s General Fund.

Service Charges

89. Service charges such as caretaking, cleaning, CCTV, communal areas etc. will be increased by CPI +1% i.e. 7.7% in line with the rental charge across all tenure types in the HRA. This increase will ensure that the income will cover the actual costs that have increased by RPI.

90. There is no proposed increase to the Furnished Tenancy multiplier in respect of charges to tenants who take up the offer of the provision of white goods and other fittings. The current multiplier of 1.5155 is considered sufficient to cover the costs of running the scheme.

Working Balance

91. 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.

Variations to Budget

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

Investment in housing stock

- The budget proposals include an increase in capital investment for a more planned approach to Repairs and Maintenance of the housing stock. This will drive efficiencies by reducing the amount of more expensive urgent and responsive works. The proposed revenue budget includes a reduction of £3.478m in urgent and responsive maintenance.

- An increase in 3 staff for additional support in the housing supply and property acquisition function of the Affordable Housing team, helping to co-ordinate activity across multiple internal teams (Legal, Corporate Property, ODS, Housing), as well as external stakeholders (including estate agents, vendors and property management companies), for each purchase and to drive this corporate priority and meet expectations for the delivery of 1,600 affordable homes over the MTFP period - both through direct delivery and working in partnership with OX Place. After recharges to capital where permissible, a net increase of £0.113m.

Service Pressures

- The HRA is budgeting for 13 new staff at a cost of £0.862m per annum to ensure that OCC meets the expectations of the new social housing regulator in respect of knowing their tenants as individuals, understand their views, know their protected characteristics, know reasonable adjustments that need to be made and work with an ever-increasing number of vulnerable tenants in our housing stock, and delivering high quality efficient services. Housing Officers will need to be able to case manage, key work and co-ordinate a range of services to support tenants going forward.

- Increased utility costs for communal areas of £0.100m

- The HRA is also budgeting £0.296m for the following recharges in response to increased activity via property services:

    a. Fibre to the Homes officer – to enable the authority to engage with companies such as Netomnia to ensure that high-speed fibre broadband is enabled into Council blocks.
    b. Utilities officer – this is broadly and administrative role dealing with energy suppliers when properties become void; this is a partial contribution with Corporate Assets also contributing for the General Fund activity.
    c. Policy & Process Officer – to ensure that any work undertaken by the HRA is done in accordance with relevant policies and follows due process.
    d. Clienting & Commissioning Officer – to be responsible for instructing and liaising with ODS and providing schedules of planned works.
    e. Capital Performance Monitoring & Reporting Officer – to provide relevant and timely information on the progress of capital works.

93 It should be noted that there are key, significant areas of pressure to come. There is the need for significant, ongoing investment in the stock to ensure that we comply with the new Decent Homes standards, as well as expectations around meeting EPC C and net zero targets. Significant work is underway on the HRA strategic Business Plan to fully understand the investment opportunities across the competing demands of tenancy management, supply, stock maintenance and retrofit.

94 What has become clear is that the challenges in achieving these targets are great and more costly than previously anticipated (£500m for net zero), and the council have included as much additional capital investment as possible (£175m) over the next 16 years to give OCC the greatest chance of achieving these targets whilst still maintaining a viable HRA. The Council will continue to add our voice to other social housing providers to lobby government for the provision of additional funding to help meet these challenges.

Housing Revenue Account Budget 2024/25 to 2027/28

95. Appendix 4 details the HRA Budget for the period 2024/25 to 2027/28 which is summarised below:

Table 11 – Housing Revenue Account (HRA) 2024-25 to 2027-28

	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Income	(57,180)	(59,289)	(61,666)	(63,816)
Expenditure	51,336	53,533	55,761	55,948
Net Operating Expenditure/(income)	**(5,844)**	**(5,755)**	**(5,905)**	**(7,868)**
Investment income	(42)	(27)	(30)	(30)
Revenue Contributions	**12,367**	**4,901**	5,857	7,936
(Surplus)/Deficit for the Year	**6,482**	**(882)**	**(78)**	**39**
(Surplus)/Deficit b/fwd	(10,089)	(3,607)	(4,489)	(4,567)
(Surplus)/Deficit c/fwd	**(3,607)**	**(4,489)**	**(4,567)**	**(4,528)**

Risk Implications

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

- The government introduces a rent cap which is less than 7.7%.
- 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 D Capital Programme

Optimism Bias

97. In previous years the spend profile on the programme has not matched that of the budget set. Typically, only spend of around 50% has been achieved. This shortfall can be for a number of reasons most simply relating to delays in development, not least due to cost and borrowing increases, and the complexity of some of our key sites and assets, most of which members will be aware of. This underspend can have a significant impact on the local authorities finances. On the one hand, not spending money reduces the need to borrow, but failing to spend money planned also reduces the ability to plan available funds and can reduce investment income.

98. The HM Treasury Green Book on how to appraise programme and projects also recognises 'optimism bias' or the tendency for appraisers to be over optimistic about key project parameters including capital costs, operating costs, and project duration. The Green Book recommends adjusting for this based on past experience.

99. In drawing up the capital programme for this year an optimism bias has been applied to both General Fund and HRA Capital which has the effect of reducing the capital with cost of capital revenue costs being adjustment accordingly in the MTFP.

100. The total budgeted capital spend of £922 million over the five year programme is therefore reduced as follows:

Table 12 : Capital Programme Optimism Bias

	2024-25	2025-26	2026-27	2027-28	2028-29
	£	£	£	£	£
OPTIMISM BIAS 40%					
General Fund					
Programme	77,463,794	70,018,578	73,833,075	45,436,981	10,401,040
Slippage at 40%	30,985,518	28,007,431	29,533,230	18,174,792	4,160,416
Revised programme	46,478,277	42,011,147	44,299,845	27,262,189	6,240,624
HRA - Optimism bias					
Programme	158,254,860	110,645,311	88,845,477	125,180,406	161,886,379
Slippage at 40%	63,301,944	44,258,124	35,538,191	50,072,162	64,754,552
HRA Revised programme	94,952,916	66,387,187	53,307,286	75,108,244	97,131,827
Total revised programme excluding 40%	141,431,193	108,398,333	97,607,131	102,370,432	103,372,451

General Fund Programme

101. The total programme over the five year period is estimated at £277millon. Applying optimism bias reduces the programme down to around £166 million.

102. New Schemes of around £19 million are included in the budget :

- **ICT –** An additional £1.2 million for essential replacement of systems, the development of on-line forms and upgrading of infrastructure.
- **Mechanical and Engineering -** £300k – to fund capital replacement of assets, including fire equipment, gas boilers and electrical works to corporate buildings.
- **Community Centre refurbishments -** £150k to refurbish centres to maintain their condition.
- **Leisure Centres -** £2 million essential works for end-of-life replacements.
- **Leisure centre invest to save -**£2 million. Within the leisure contract operators have access to loan finance of up to £2million subject to a financial business case being established.
- **Bridge Investment -** Statutory bridge inspections introduced in the last two years has identified significant under investment into condition historically. To redress this and prevent further significant projects where possible by way refurbishment before failure and long term closure of any more becomes required. Further bridges to be brought forward via pipeline as identified and required based on priority basis (H&S/Risk).

- **Condition survey works £1.1 million** – works related to fire risk assessment, stone walls and works to Cutslowe Pavilion.
- **Broad Street façade** £2millon - Failing facade and roofs across Broad, Turl and Ship street. Initial making safe and preparation works, and project may lead to larger projects in due course.
- **Waterways -** £500k -Following the completion of the Waterways survey a programme of works is identified for all elements including sluice gates, pumping stations, alarm systems, culverts and ditches, tow paths and banks. Combining repairs into refurbishment works with capital funding, reducing number of repairs needed over time and making waterways safer. Year one included and future years included in pipeline to be brought forward on a risk/H&S basis.
- **Upper floors of Odeon -£7 million** Opportunity to fund additional floor to maximise regeneration of the building as part of the major scheme already agreed. Additional income of c £500k pa.
- **Waterways** – Long Bridges/ Tumbling Bay £380k - £290k added for health and safety works.

103 Other changes to schemes in the existing capital programme, worthy of note include:

- **Community Infrastructure Levy (CIL) Receipts** – The Council will continue to work with other partners on the use of these funds whilst continuing to fund schemes within its own programme as allowed by CIL regulations.
- **Ice Rink Car Park -**Following a review of the capital programme the proposed provision of replacement car parking at the ice rink (to the sum of £580k) has been removed from the programme. Further work will be required with user groups to direct them to alternative provision, including the Westgate Car Park when Oxpens car park closes. An amount of £100k has been included to allow for a revised scheme which would provide disabled parking.
- **Cave Street –** In November 2021 Cabinet and then Council approved a capital budget in the sum of £9.7 million partly financed by £1.13 m of funds awarded to the Council by OxLEP's Growth Fund. Plans to replace Standingford House with small business units were approved by Cabinet in 2021 as the building did not comply with the required national legislation for Minimum Energy Efficiency Standards (MEES) for commercial properties and the building was in poor condition. Planning approval was secured but for a reduced floor space than was originally planned and demolition of the former building is complete. Since the cabinet approval there have been significant cost increases in terms of construction costs and cost of borrowing, rendering the agreed budget insufficient. This triggered a review of options. All options would require an increase in budget and require a long-term payback period. This would increase pressure on the council's Medium term Financial Plan. The revenue pressure of the increases to borrowing would be between £1m and £1.6m. Officers are therefore pausing progression of the development of the site given the present uncertain economic climate and the financial challenges progressing the development at this time creates. The project will remove the remaining budget except for up to £50k to secure the site. Securing the site may not need all of this allocation. This provides a revenue saving to the MTFS of £1.23m. The asset will be retained by the Council so that it can be brought forward when the economic climate for development improves. Consideration is being given to how the site might best be used in

the short to medium term, until economic conditions support bringing forward the planned development of small business units or an alternative.

- **Loans to OX Place – £104 million.** Provision has been made to the lending of money to OX Place at 'subsidy control' compliant interest rates for the development of housing and the acquisition of dwellings from the Barton.
- **Covered market-** £7 million of planned maintenance and roofing works. Masterplan increases income and footfall to the market but requires investment in the infrastructure which is required in any case. £2m of costs is to deliver essential M&E work that would be needed to be carried out regardless.
- **Purchase of vehicles** - £18 million for the purchase of vehicles subsequently leased to Oxford Direct Services
- **Blackbird Leys Regeneration** - £22 million General Fund and HRA funds for the development of affordable and market housing, community centre, replacement shops and associated infrastructure over the next 4 years
- **Pipeline of capital projects –** there are a number of capital projects which have yet to be fully worked up such as energy surveys, town hall works and waterways. These are held in a pipeline which will be subject to the full rigor of scrutiny through the Development Board before being submitted for member approval. Capital funding for £10million of the £30 million estimated pipeline has been allowed for in the budget.

104. Funding of the Programme is by Capital Receipts £48 million (17%) Community Infrastructure Levy and Section 106 £8 million (3%), borrowing £205 million (74%) Government Grants £14 million (5%) developer contributions, £2 million (1%). All revenue costs have been included in the General Fund revenue budget.

Housing Revenue Account Capital Programme

105. The draft HRA Capital Programme is intrinsically linked to the HRA Business Plan since the resources to fund the Programme are largely generated through housing rents. Appendix 6 shows the existing HRA capital programme over the next five years totaling £258 million following the application of optimism bias. The Council has included increased expenditure to move towards its target of net zero, expenditure that was previously charged to revenue and an additional budget to move towards stock decency in advance of government legislation expected in this area.

106. Items worthy of note include:

- **Stock condition works -** There is a noticeable change in the capital budget approvals being sort. Works have been consolidated into three main areas.

a. Internal capital investment works to council homes, kitchens bathrooms, electrical etc. - £17.5 million over the 5 years.
b. External capital works to council homes i.e. roofs, fencing, windows, pre painting and joinery- £22.5 million over the 5 years.
c. Communal area works - £21 million over 5 years.

Combining budgets in this manner gives maximum flexibility in their use and enables the combining of works into programme as opposed to ad hoc jobs.

- **Planned maintenance and refurbishments** to Council housing stock £103 million including internal, external and communal works, extensions (5/6 beds), replacement solar and energy infrastructure, health & safety, fire alarm systems (tower blocks), major voids, and adaptations for disabled.
- **Tower Blocks - £3.5 million** Statutory works to ensure compliance is achieved in terms of Building Safety standards for these high risk buildings.
- **Stock Decency Improvement** - £35 million Changes to Decency requirements and new standards, identified via the Stock Condition Survey will require further significant investment in the Housing stock.
- **Leiden Road (12 affordable dwellings)** - £4 million - Direct Delivery (HRA)- Assumes demolition of 6 defective HRA bungalows (2 using BLRF2) - Net cost to HRA £3.4m - but this would reduce by a further £800k if RRTBRs were used (see RRTBR row below).
- **Underhill Circus** (11 affordable dwellings) -£3.4 million Direct Delivery (HRA) - financed by RRTBR's and borrowing.
- **Additional units from Retained Right to Buy Receipts -** £13 million Direct Delivery - Continued acquisition activity as per previous years re street purchases (c. 12 homes p.a.) to go into the HRA as permanent homes at Social Rent.
- **Additional Programme (RRTBR)** -£12 million. Direct delivery and further use of RRTBR 40% and borrowing 60%.
- **Properties purchased from OXPlace** - £353 million. Part of the programme of spend on social housing purchases for retention in the HRA. The full programme allows for the purchase of approximately 1,277 purchases from the Company with details of the schemes being undertaken including in Appendix 10, which is exempt from publication due to commercial sensitivity.
- **Affordable Housing -** £100 million. Development of a number of sites including Northfield Hostel, Lanham Way, Oxford North and East Oxford as well as the purchase of additional units through the use of RRTBR.
- **Energy efficiency -** £33 million over next 4 years – On going initiatives to support council and government targets in relation to net zero including Social Housing Decarb Fund (SHDF) grant funding.

107. The financing of the HRA Capital Programme is from capital receipts £35 million, (5%) arranged borrowing £475 million (74%), revenue £39 million (6%) Major Repairs Reserve £52 million (8%) and Homes England Grants £31 million (7%)

Risk Implications impacting the Capital Programme

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

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

Budget next steps

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

Table 13: Budget Consultation Timetable	
Consultation Budget Report to Cabinet	13th December 2023
Budget Consultation Period	14th December to 31st January 2024
Final Budget Report to Cabinet including outcome of Consultation	7th February 2024
Budget approval and Council Tax Setting Council	21st February 2024

110. The Council will make use of its citizens' panel as well as an online survey. The survey will be publicised in local newspapers and the budget will be shared with other stakeholders, such as trade unions and local voluntary organisations and businesses for comment.

111. Tenants will be consulted on the HRA budget including rent and service charge changes with a special resident focus group(s) and the tenant newsletter 'Tenants in Touch'.

Financial Implications

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

Legal Implications

113. Section 30 of the Local Government Finance Act 1992 requires that a local authority 'must set a balanced budget and council tax before the 11th March in the financial year preceding that for which it is set'. Consultation will be undertaken with the General Public for a period of six weeks in accordance with CIPFA Guidance.

114. The Local Government Act 2000 in particular Section 9 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.

115. The Local Government Act 2003, section 25 requires the Council's Section151 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 2024 when the Budget is approved.

116. 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

117. Detailed risks are shown in Appendix 8 of the report.

Equalities Impact Assessment

118. These are shown in Appendix 9 of the report.

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