

To: Cabinet: Date: 7 February 2024
To: Council Date: 21 February 2024

Report of: Head of Financial Services

Title of Report: Medium Term Financial Strategy 2025-26 to 2027-28 and 2024-25 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 2025-26 to 2027-28 and 2024-25 Budget for recommendation to Council
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader (Statutory) - 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.	Note the approval by Cabinet on 24 January and subsequently agreed by the Council on 29 January of an increase of 7.7% (£9.27 per week) in social dwelling rents from 1 April 2024 giving a revised weekly average social rent of £129.72 as set out in Appendix 5 based on a HRA budget as set out in Appendix 4, together with the comments in paragraphs 35-40;
2.	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 1-9, noting: <ul style="list-style-type: none"> a) the Council's General Fund Budget Requirement of £27.752 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; and b) the General Fund and Housing Revenue Account Capital Programme as shown in Appendix 6;
3.	Agree the fees and charges shown in Appendix 7;
4.	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 16-18 of the report; and

5. **Note** the changes to council tax charges in respect of second homes and properties empty for more than one year as referred to in paragraphs 19-22 from 1st April 2025 and 1st April 2024 respectively.

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 Service Budgets Bids and Savings Proposals 2024-25 to 2027-28
Appendix 4	Housing Revenue Account Budget 2024-25 to 2027-28
Appendix 5	Housing Revenue Account rent by property type
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	Budget Consultation

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

This has been an exceptionally difficult budget to set. Given the huge pressures on local government – including numerous pressures stemming from inflation affecting our companies, our capital programme and our revenue spend – and also the rise in homelessness, we had called for more relief from government. Instead we got a settlement which was almost exactly in line with our predictions. It was followed by the news that government was not allowing us to proceed with charging additional council tax for second homes. This is a one-off windfall for second home owners in Oxford and will mean less money for services they use – it is exceptionally unwelcome.

Set against this, we have had two bits of welcome news locally. First, our two trade unions have agreed a new two-year pay deal. This gives us additional planning stability as well as providing welcome recognition for our workforce. We are glad of this development and believe it testifies to the excellent relationship our council has with its trade unions, and the hugely positive contribution that they make. Secondly, we have concluded a new leisure contract which, over the next five years, will make a slightly larger contribution to local services.

At the time of writing this note, government had announced some additional support for local authorities. It is likely to be less than 0.3% of our gross budget, as a one-off. While any additional funding is welcome, the bold claims that accompanied it demonstrate just how little understanding central government has of the financial situation we, and all other local authorities, face. It was noteworthy this money was delivered with a missive to make further reports on spend to central government, and

insulting comments about councils' work to make themselves as an employer more representative of the communities we serve. For the record, we value diversity in our workforce, we strive to be an employer of choice locally and we want better to reflect all of Oxford's communities.

On account of the lack of proper funding for our council, there remain some difficult decisions we have to confirm in this budget, such as the increase in garden waste charges. We are using the modest amounts of additional money we have to reduce the anticipated saving in the Community Services area of the council – we said that making reductions here was a last resort, and that remains the case – as well as agreeing a small number of items of one-off spend to benefit communities in the city.

We will continue to work hard to deliver high-quality services to people in Oxford, to move towards a zero-carbon Oxford, to build more genuinely affordable housing, and to serve our communities well. As councillors we will work hand in hand with the excellent staff at our council and its companies. We will press hard for fairer funding of councils in the future, while focusing on doing the best we can with the inadequate resources we have right now.

Introduction

1. This report reflects the outcome of the consultation on the draft budget that was agreed by the Cabinet on 13th December 2023 (the Consultation Budget") as well as incorporating changes which have arisen since the consultation budget was published.
2. The consultation on the Draft Budget began on 14th December 2023 and ended on 31 January 2024. 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 are summarised below:

Local Government Finance Settlement 2024-25

5. Following the Autumn Statement the Government published a policy statement on 5th December 2023 outlining its proposals for the 2024-25 Local Government Finance Settlement. Subsequently, on 18th December 2023 the Government launched its formal consultation on the provisional finance settlement for 2024-25. The consultation closed on 15th January and the final Local Government Finance Settlement for 2024-25 will be published in early 2024, although as yet no date has been set.
6. Overall there was limited change from the assumptions made in the Consultation Budget although there were some variations in individual grants such as the services grant, funding guarantee grant and the New Homes Bonus. More detail is given in paragraph 11 below.

7. This is the 6th consecutive 1 year settlement with no forward horizon, no new resources or new initiatives with some grants based on outdated formula. The New Homes bonus limps on for one more year and there is no mention of funding reform or business rates reset, making forward planning and forecasting for local authorities difficult.
8. 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 district councils will be allowed to apply the higher of the referendum limit or £5.
 - b. **Business Rates Retention** –
 - **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 by way of Section 31 grant for the second year running.
 - c. **New Homes Bonus (NHB)**- The NHB scheme has been extended for one further year 2024-25. There are no legacy payments in respect of previous years nor will the 2024-25 allocation have legacy payments attached. The threshold of tax base increase below which no NHB will be paid has been maintained at 0.4%. The Council’s allocation is £352k.
 - d. **2024/25 Services Grant** – This grant continues to be reduced although it is uncertain why. The Council will receive a one off grant of £40k i.e. £203k less than in 2023-24.
 - e. **Revenue support grant** – The revenue support grant will increase in line with the Consumer Prices Index and the Council’s allocation is £211k.
 - f. **Funding guarantee grant** – in the provisional finance settlement announced in December 2024 the councils were provided with a funding guarantee grant at a level which ensured that core spending power was increased by a minimum of 3% before additional council tax income. On 24th January the Government announced additional funding for local authorities This package includes :
 - £500 million for social care authorities, aimed at children’s social care and distributed through the social care grant;
 - A £15 million increase to the rural services delivery grant;
 - An increase in the minimum funding increase guarantee threshold from 3% to 4%;
 - £3 million in support for local authorities experiencing significant difficulties due to internal drainage board levies, to be delivered outside the of the settlement; and

It is estimated that this will increase the Funding Guarantee Grant additional amount over that included in the Provisional Finance Settlement of £243k to £1.165 million.

In addition to the funding increases the written statement from the Government also announced that all local authorities will have to produce productivity plans setting out how they will ‘improve service

performance and reduce wasteful expenditure to ensure every area is making best use of taxpayers' money'.

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

9. Core Spending Power is a measurement of 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 and
 - d. Specific Grants.
10. The Government stated that that Core Spending Power for local authorities in 2023-24 increased by 6.5% across England over that of 2022-23. It is important to note that this includes the amount that the Government allows local authorities to increase council tax by under its referendum principles. Additionally this will also take into account the ability for social case authorities to increase council tax by the additional 2% precept.
11. Core Spending Power for Oxford City Council has increased by 5.9% over 2022-23 as shown in the following table (following the announcement on 23rd January 2024):

Table 1: Finance Settlement 2024-25

FINANCE SETTLEMENT 2024-25									
Core Spending Power									
	National Level (England)				Oxford City Council				
	2023-24 £m	2024-25 £m	Change £m	Change %	2023-24 £m	2024-25 £m	Change £m	Change %	
Settlement funding assessment (business rates plus RSG)	15,671	16,562	891	5.7	6,692	7,060	0,368	5.5	
Business rates baseline funding			0	0.0	6,494	6,849	0,355	5.5	
Revenue Support Grant			0	0.0	0,198	0,211	0,013	6.6	
Assumed council tax	33,984	36,062	2,078	6.1	15,415	15,925	0,510	3.3	
Grants	10,540	11,472	932	8.8	2,232	2,793	0,561	25.1	
Compensation for business rates multiplier freeze	2,205	2,581	376	17.1	1,106	1,236	0,130	11.8	
Lower tier services grant	0	0	0	0.0	0,000	0,000	0,000	0.0	
New Homes Bonus	291	291	0	0.0	0,663	0,352	-0,311	-46.9	
Services Grant	483	76	-407	-84.3	0,253	0,040	-0,213	-84.2	
Funding Guarantee grant	133	196	63	47.4	0,210	1,165	0,955	454.8	
Other Tier 1 authority grants	7,428	8,328	900	12.1	0,000	0,000	0,000	0	
Core spending power	60,195	64,096	3,901	6.5	24,339	25,778	1,439	5.9	

Inflation/ Interest Rates

12. The Consumer Prices Index (CPI) in November was 4.2% down from the 4.7% in the year to the end of October 2023. Current forecasts would indicate that rates will continue to fall back in 2023, closer to the Governments forecast level of 2% although this is unlikely to be reached until December 2025.
13. On the 13th December 2023 the Bank of England maintained base rates at 5.25%. Latest forecasts predict base rates to remain at this level until quarter 3 of 2024 before falling back slowly to 4.25% by 2026. In the longer term there would be a financial impact on the Councils wholly owned 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.

Retained Business Rates

14. The actual amount available to the Council by way 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
15. Almost certainly the Baseline Funding Level (the amount assumed by the Government that the local authority needs to run its services) will not be the amount the authority eventually receives in Retained Business Rates. The confirmation of the level of compensation for freezing of the Business Rates Multiplier and also the delay to the receipt of fairer funding for another year has increased the estimated income from business rates compared to what was included in 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				
	2024/25	2025/26	2026/27	2027/28
	£000's	Est	Est	Est
		£000's	£000's	£000's
Consultation Budget	11,903	10,282	10,673	11,076
After Finance Settlement	11,175	10,006	10,397	10,799
(Decrease)/ Increase	728	(276)	(276)	(277)
Tariff	32,436	33,085	33,746	34,421
Safety net threshold (92.5% baseline)	6,007	6,190	6,313	6,440

Business Rates Distribution Group

16. The Chief Finance Officers in Oxfordshire have agreed the formation of the West Oxfordshire Business Rates Pool for 2024-25 (2the Pool) to be formed by Oxfordshire County Council and West Oxfordshire and Cherwell District Councils as in previous years.
17. Membership of the pool has been set to maximise its income for the good of Oxfordshire. It has also agreed that councils which 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 Pool in exchange for taking on some of the risk of Pool losses not covered by the safety net.

18. It is recommended that the decision to join the Business Rates Distribution Group and enter into a Business Rates Distribution Rates Distribution Agreement is delegated to the Section 151 Officer in consultation with the Cabinet Member for Finance and Asset Management once business rates estimates for 2024-25 are known for all districts within Oxfordshire.

Council Tax

19. The estimate of the tax base for 2023-24 presented to the Audit and Governance Committee on 17 January 2024 estimates a tax base of 47,178 Band D equivalent properties, an increase of 0.86% on last years figure. The figure used in the Consultation Budget was estimated at the time at 47,242.

20. Members may recall that a number of local authorities including the Council made resolutions as part of their budget setting last year, February 2023, to implement two changes to council tax which they had been notified that the Government were planning to implement through changes in the Levelling Up and Regeneration Bill which was progressing through Parliament at the time. The changes were in respect of:

- Introducing a new discretionary council tax premium on second homes of up to 100%;
- Applying 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 currently work to.

21. The initiatives together would have increased council tax income by an estimated £256k per annum. The Levelling Up and Regeneration Act (LURA) was passed in October 2023. Information recently received from DLUHC officers advises that it is not legal for local authorities to implement the second homes premium without first making a determination one year before the premium is applied of their intention to implement and since the act was not passed until October 2023 this cannot commence be until 1-4-2025.

22. Additionally the Council was also advised that the LURA amended the existing homes premium by changing the definition of long term empty dwelling to reduce the minimum period for which a property must be empty in order to fall within the definition from two years to one. The change in definition will be in place from 1 April 2024. The one-year period can start before the Act came into force. Unfortunately the Council agreed its tax base at Audit and Governance without this change believing it was not able to do so, therefore although the Council will now implement it from 1-4-2024 under accounting regulations the income (approx. £70k) cannot be accounted for by the Council until 2025-26.

Other Key Assumptions

23. 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** – In accordance with the Consultation Budget unless specified below.

- **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
- **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 2023 unions balloted members and overwhelmingly agreed to accept a two year deal
 - 6.5% increase from 1-4-2024
 - 3% increase from 1-4-2025

This agreement was in line with budget projections and therefore there is no overall change in the figures presented in the Consultation Budget; however, the additional stability this gives the City Council is welcome.

Changes since the Consultation Budget

24. A number of other proposed changes to the Consultation Budget that was agreed by the Cabinet on 13th December 2023 are set out below:

- **Transportation** – A saving of £75k was incorrectly presented in the Appendix 3 presented to Cabinet in December 2023. The saving of £75k is still achievable in year one but is against a temporary post that is not in the base budget funded by Neighbourhood Community Infrastructure Levy
- **Pathfinder** – In October 2023 the Council bid for Government funding in the sum of £125k for 2 years from the Net Zero Living: Pathfinder Places Phase 2 programme. The Council has recently been advised that its bid has been unsuccessful resulting in the removal of £250k of resources over a 2 year period
- **ICT increased monitoring £200k** – A need to increase our monitoring and access to ICT systems in the authority.
- **Leisure Services** – At its meeting on 24th January Cabinet approved the letting of a 10 year contract with provision for a further 5 years for the management of Leisure Services to Serco Ltd. Under the contract Serco will pay an average annual management fee over a 10 year period to the council equivalent to £1.118million. Profiling of this income will mean a smaller payment in early years as the company mobilises but larger payments in future years but still compares favourably to the assumption of £500k per annum included within the Consultation Budget. It is worth noting that some of the difference is absorbed by additional maintenance spend and strengthening of the City Council's clienting function in respect of leisure services.
- **Services Grant and Funding Guarantee Grant** – as discussed above
- **Contingencies** – Other movements to balance off movements in pay and inflation

Fees and Charges

25. Fees and charges are as presented within the Consultation Budget and shown in Appendix 7 to the report with the exception of the combined ticket for park and ride. The previous recommendation was to increase the combined parking and bus ticket by 50p for both 'car plus 1 adult and car plus 2 adults' to £4.50 and £5.50 respectively with the bus operator and the Council sharing in this increase by 35p and 15p accordingly. *This was felt needed by City, County and bus operators to ensure the combined ticket approach remains sustainable given the significant reduction the current £4 and £5 fares represent compared to 2019 prices despite the significant inflation we have experienced since then*
26. However, since the original proposal was made the National Bus Fare Scheme that ensures no single journey would cost more than £2 has been extended. As part of that scheme Government covers the income lost between the capped fares and what the bus operators would have charged without the scheme. Increasing the bus element of the combined ticket at Park and Rides would represent 'double reimbursement' for the bus operators. It was therefore felt inappropriate to continue with that increase for the bus element whilst this was in place. This does not apply to the parking element for the councils. Given the overall budget position, the council remains reliant on the additional income assumed from increasing the car parking element of the combined ticket. Therefore, two options were considered.
- a. Only increase the car parking element of the combined ticket in 2024/25 meaning the revised charges would be car plus 1 adult £4.15 and car plus 2 adults £5.15; or
 - b. Hold the combined ticket prices at £4 and £5 for the consumer but reimburse the councils the income that has been assumed from increasing the car parking elements of the combined tickets by 15p using other grant available to the county council.
27. The second option is the preferred approach as it means that there is not a price increase for the consumer but the increased income needed is maintained. This has been confirmed with the county council officers.
28. At Cabinet on 25th January 2024, members agreed to increase garage rents by an additional 0.7% i.e from 7% included in the Consultation Budget to 7.7%. The additional income is approximately £7k per annum which has been included in the budget.
29. Cabinet agreed to increase garage rents by 7.7%, in line with the increase in council house rents, rather than the 7% that was initially proposed. This will provide £7k additional income per annum.

Summary of Changes to Medium Term Financial Strategy (MTFS)

30. The Council's General Fund MTFS is shown in Appendices 1-3 to this report together with assumptions around the fees and charges set out in Appendix 7. A summary of the movement in the Medium Term Financial Strategy from the Consultation Budget agreed in December 2023, taking account of the changes highlighted above is shown below:

Table 3 Summary of changes to Consultation Budget

	2024-25 £000'S	2025-26 £000'S	2026-27 £000'S	2027-28 £000'S	2028-29 £000'S
Consultation Budget Net Budget Requirement	28,536	26,998	27,886	28,801	29,742
Changes since the consultation budget					
Error on transportation saving	75				
Pathfinder failed bid	125	125			
Increased cost of ICT monitoring	200				
Leisure services	368	210	(630)	(712)	(976)
Contingencies	(135)	130	207	160	160
Services grant	203				
Funding guarantee	(702)	(500)	(500)	(500)	(500)
Increase in funding guarantee grant 24-1-2024	(243)				
New bids/changes- App 3					
Increase in garage rent income by increasing rents by 7.7% instead of 7%	(7)	(7)	(7)	(7)	(7)
Additional funding to address emerging pressures in community centre portfolio	30				
Deletion of street cleansing savings	32				
Paving works in Magdalen woods	25				
One off funding for community led improvements to Minchery Farm Allotments	10				
Frideswide Square Flower Beds	10	2	2	2	2
Council tax premium for homes that have been longer for 1 year rather than 2 years from 1-4-2024	(70)				
Reversal of savings		150	150	150	150
Net Budget Requirement	28,457	27,108	27,108	27,894	28,571
Financed By :					
Council Tax- Consultation Budget	(16,014)	(16,496)	(16,992)	(17,504)	(18,308)
Retained Business Rates - Consultation Budget	(11,175)	(10,006)	(10,397)	(10,799)	(10,877)
New Homes Bonus	(352)	0	0	0	0
Revenue Support Grant	(211)				
Total	(27,752)	(26,502)	(27,389)	(28,303)	(29,185)
Additional transfer from (to) reseves	705	606	(281)	(409)	(614)

31. Over the 5-year period the draw on reserves remains at around £6.9 million in line with the Consultation Budget over the same period due to the changes highlighted in the table above. The additional funding guarantee grant arising from the settlement, the one off additional income from empty properties and additional income in respect of leisure services is proposed to be spent on :

- Reversing a proposed reduction to Streetscene services in year 1 (£32k).
- Provide one-off funding for a path through Magdalen Woods (£25k, will be matched by local CIL).
- Provide funding (£8k one-off plus £1.5k for maintenance) for flower beds in Frideswide Square, to provide a more welcoming entrance to the city to support its visitor economy, especially in the light of the extensive works going on in the area.
- Provide one-off funding of £10k to Parks for community-led improvements to Minchery Farm allotments.
- Deploy the remainder of the additional funding to increase the Community Services budget, which would reduce the saving sought by £150k per year from year 2 onwards (and provide a one-off £30k addition to next year's budget to handle emerging service pressures).

Budget Consultation

32. The consultation concentrated on the Council's proposed budget a number of key areas which are shown below. There were 247 responses received. Members of the Cabinet will be updated at the meeting with any further responses that are received up until the date the consultation closes on 31st January. Appendix 10 to this report provides the detail of the responses with a summary shown below for each of the main areas:

- **Approach to Budget Setting**

- i. There was reasonable support for most aspects of the Council's budget setting strategy with the use of its wholly owned companies to generate external trading income featuring highly, 33%- 36% of consultee responses either agreeing or strongly agreeing.
- ii. 77% of respondents agreed with the strategy to use the Council's wholly owned housing development company to develop social and market dwellings and deliver financial returns back to the Council.
- iii. There was very strong support for charging an additional 100% premium council tax on second homes after 1 year – 84% of respondents either agreeing or strongly agreeing. 58% agreed with removing the 1 month discount for unfurnished empty homes.
- iv. There was more support for increasing council tax by the maximum permissible rate of 2.99%, 52% in support compared to respondents that did not support 33%.
- v. 39% agreed or strongly agreed to the council changing the eligibility from 100% to 85% of council tax for those on council tax support while 34% were neutral and 23% were against.
- vi. 45% of respondents agreed to increasing garden waste charges and car park charges by around 5%.
- vii. 48% of respondents agreed with the proposal to use balances and reserves as one off support.

- **Alternative approaches to budget setting**

- i. 28% of respondents agreed to maintaining all services but offering less which 38% of respondents disagreed with.
- ii. Only 19% of respondents agreed with freezing council tax and cutting services with 66% disagreeing with that proposal.

- **Service Priorities**

- i. 62% of respondents disagreed with reducing street cleaning but 56% agreed with the proposal to reduce the frequency of grass cutting in parks.
- ii. Highest support (72% ranked as 1 or 2) in favour of proposal to provide affordable homes, maintaining parks and open spaces, and tackling homelessness (67%).
- iii. There was least support for encouraging customers to self-serve (28% scoring 1 or 2) (28%) city centre enhancements (28%) providing grants to voluntary and community groups (29%) and tackling climate change.

- **Capital Investment**
 - i. Strong support was demonstrated for investment in social housing (75% strongly agreeing or agreeing) for investment in council house improvements and council estates (65%) and efficiency measures in council housing (64%).
- **Council Housing**
 - i. Highest support (55%) was given by respondents to maintaining the quality of existing homes and (55%) for building new social housing with least support given to improving the look and feel of council estates (47%) and targeted estate regeneration such as Blackbird Leys and Barton (55%) although it should be noted that only 12 respondents were council tenants.
- **Use of neighbourhood CIL**
 - i. 45% of respondents either agreed or strongly agreed with how the Council makes use of neighbourhood CIL, with 20% disagreeing or strongly disagreeing, 34% neutral and the balance not answering the question.

General Comments

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

- Reduce council staff pay and find cost effective staff for services
- If car parking fees are increased the income could make quicker road repairs on residential estates
- Cut the number of manager and spend more on housing and children play areas
- Expand no mow policy
- Keep play areas well cut for ball games
- Keep a check on those not paying rent and council tenants providing false information
- Keep wages at an acceptable level
- Buy more cars for parking enforcement
- Reduce frequency of food waste collections during cold months
- Scale back the LTN project and invest money into maintaining green area
- Eliminate grassed areas by converting them into wildflower meadows
- Talk to parishes more about funding
- Maintain council tax exemptions for most vulnerable
- Introduce tourist tax

Risk Implications

34. The main risks to the balanced position of the General Fund Consultation Budget (Appendix 8) are that:

- a) Savings from efficiencies and transformation may not be achieved
- b) Council income streams may continue to be affected by the Covid pandemic beyond the provisions already made in the MTFS
- c) Failure or uncertainty of major partners to deliver for instance in Leisure is possible
- d) The Councils wholly owned companies may not perform as well as expected leading to reduced income to the Council
- e) Business Rates income may be lower than forecast
- f) Variations in interest rates or non-performance of property funds or multi asset vehicles may affect returns to council
- g) Slippage in the capital programme could adversely affect revenue savings and additional income in the MTFS
- h) Cuts by partner organisations such as the Oxfordshire County Council could adversely affect service provision.

Section B Housing Revenue Account Budget

Issues arising since the publication of the consultation budget

35. The Council published its Consultation Budget on 13th December 2023 including the Housing Revenue Account (HRA) Budget. On 24th January 2024 the Cabinet approved the rent increase for 2024-25 in line with the proposed Consultation Budget for the Housing Revenue Account as detailed in Appendices 4 and 5 to this report.

36. On 24 January 2024 Cabinet agreed to :

- Recommend to council to approve an increase of 7.7% for 2024/25 (subject to any subsequent cap on increases imposed by central government) in social dwelling rents from 1st April 2024 giving an average weekly increase of £9.27 per week, and a revised weekly average social rent of £129.72 as set out in the Financial Implications section of this report.
- Recommend to council to approve an increase to rents for shared ownership dwellings as outlined in paragraph 16 of the Financial Implications.
- Recommend to council to approve an increase to service charges by 7.7% (CPI + 1%) to enable the HRA to recover the associated cost of supply.
- Recommend to council to approve an increase to the charge for a garage of 7.7%, equating to an increase of £1.37 per week for a standard garage with a revised charge of £19.22 per week, and an increase of £1.55 per week for a premium garage with a revised charge of £21.71 per week.
- Recommend to council to approve the option to exercise the Rent Flexibility option in respect of re-lets to new tenants.

37. There are no changes to the Consultation Budget for the Housing Revenue Account as published for Cabinet on 13th December 2023.

38. The Summary HRA Budget is summarised below:

Table 4: Housing Revenue Account

	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)

Key Assumptions

39. Key assumptions included in the HRA Budget include :

- **New Dwellings** - The HRA 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.
- **Debt** - An increase in the level of HRA debt for the new build acquisitions by £350 million to cover all capital commitments.
- **Interest rates** - As at 31-3-2024 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 Councils Business Plan are estimated at £485 million with borrowing rates estimated at 4.1% reducing to 3.5% by 2026/27.
- **Working Balance** - HRA working balance not to fall below £3.5 million
- **Disposals** - 20 dwellings per year is assumed from 2024-25 onwards.
- **Inflation** - All the assumptions for inflation are the same as for the Council's General Fund Budget.

Risk Implications

40. The main risks to the balanced position of the HRA Budget 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 rent arrears due to benefit changes arising from the aftermath of the COVID 19 pandemic

- Construction delays may be experienced by the Councils wholly owned Housing Company and any subsequent effect on capital spend on new housing and net rental streams
- Variations in estimates causing cash flow problems

Section C Capital Programme

41. The Council's Draft Capital Programme for consultation amounted to over £750 million of spend over the four year period 2024/25 to 2027/28, details of which are shown in Appendix 6 and summarised below:

Table 5: Summary Capital Programme

	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

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

- Interest rate rises which would increase financing costs
- Right to buy disposals as detailed in the assumptions are not as forecast which could cause a shortfall in funding of schemes
- Delays in construction of new homes by OCHL
- Slippage in Capital Programme and consequential impact on delivery of Council's priorities
- Robustness of estimates

Housing Company

43. There are no changes to the forecast financial returns from OCHL trading as OX Place to the Council over the 4-year MTFs period since the Consultation Budget as follows:

	2024/25	2025/26	2026/27	2027/28
	£000's	£000's	£000's	£000's
Loans outstanding at year end to Company	53,494	76,418	114,207	125,169
Revenue Returns to Council				
Gross Interest	2,716	3,894	5,541	7,429
Dividends	3,000	4,889	1,500	1,500
Total	5,716	8,783	7,041	8,929

44. In December 2023 OCHL delivered the first dividend of £2 million to the Council.

Oxford West End Development (OXWED)

45. The Council has a 50/50 partnership with Nuffield College via a limited liability partnership (LLP) to undertake the development of the land at Oxpens for residential and commercial purposes.

46. 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 31-12-2023 of £13.3 million loan and accrued interest of approximately £6.3 million.

47. 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.

48. The overall development scheme 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 College 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.

Oxford Direct Services Limited (ODSL)

49. There are no changes to the forecast financial returns from ODS to the Council over the 4 year period of the MTF5 since the Consultation Budget as follows :

Table 7: Oxford Direct Services Revenue – 2021-22 to 2026-27

		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

50. In January 2024 the Council was paid an amount of £4 million by ODSL in dividend. This reflects the dividend amounts that were anticipated by the Council although not received during the COVID pandemic years and over the period of the problems experienced from the implementation of the Housing Management System up to 31-3-2023.

Financial Implications

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

Legal Implications

52. The Council is required to set a balanced and robust budget taking account of working balances and any other available reserves before the commencement of the financial year to which it relates. Consultation has to be undertaken with the general public for a period of 6 weeks in accordance with CIPFA guidance and the Council must take into account feedback from the budget consultation process when setting its budget.

53. 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.

54. 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 the meeting of the Council in February 2024 when the Budget is approved.

55. 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

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

Equalities Impact Assessment

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

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Background Papers:
None

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