

**To:** Cabinet

**Date:** 11 December 2024

**Item No:**

**Report of:** Head of Financial Services

**Title of Report:** Medium Term Financial Strategy 2026-27 to 2028-29 and 2025-26 Budget for Consultation.

## Summary and Recommendations

**Purpose of report:** To propose a Medium-Term Financial Strategy and the 2025/26 Budget for consultation

**Key decision Yes**

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** The Council's Corporate Strategy and Council's Budget

**Recommendation(s): That Cabinet resolves to:**

- 1) Approve the 2025-26 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 £29.678 million for 2025/26 and an increase in the Band D Council Tax of 2.99% or £10.36 per annum representing a Band D Council Tax of £356.72 per annum assuming it is confirmed that the authority is able to do so (see para 14 below)
  - b) The Housing Revenue Account budget for 2025/26 of £54.810 million and an increase of 2.7% (average of £3.51 per week) in social dwelling rents from 1 April 2025 (see paragraphs 76-78) giving a revised weekly average social rent of £133.68 as set out in Appendix 5
  - c) The increase in shared ownership rental in accordance with the lease as shown in paragraph 79-80
  - 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 to the Section 151 Officer in consultation with the Board Member for Finance and Assets the decision to determine whether it is financially advantageous for the Council to enter into a Business Rates Distribution Agreement as referred to in paragraphs 23-24 of the report.

### **Appendices to the report**

- Appendix 1 Summary of General Fund Budget by Service 2025-26 to 2028-29
- Appendix 2 General Fund Revenue Budget by Service 2025-26 to 2028-29
- Appendix 3 Detailed General Fund and HRA Service Budgets 2025-26 to 2028-29
- Appendix 4 Housing Revenue Account Budget 2025-26 to 2028-29
- Appendix 5 Council House Rents By Estate
- Appendix 6 General Fund and HRA Capital Programme 2025-26 to 2028-29
- Appendix 7 Fees and charges
- Appendix 8 Risk Register
- Appendix 9 Equalities Impact Assessment
- Appendix 10 – Properties purchased from OXPlace – EXEMPT FROM PUBLICATION

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

This budget is set in the context of an extremely challenging fiscal situation nationally, which is also reflected in an exceptionally difficult time for local government. Nationally, the chancellor has noted that there was a “black hole” of £22 billion in the public finances left by the previous government and has had to raise taxes as a result. Locally, we have faced a toxic cocktail of financial issues in recent years including:

- An extended period of spiralling inflation, in part caused by poor policy choices made by the short-lived Truss government, and in part prompted by Russia’s full-scale invasion of Ukraine, affecting the costs of delivery of our capital programme, wages, fuel and utility costs;
- Rising interest rates, affecting the cost of investing in our commercial and residential properties;
- The legacy of the Covid pandemic, where central government promised to “do what it took” to support local government, but then manifestly failed and left us needing to allocate over £11 million to fill the gap.

We are also acutely aware that these are not just issues affecting central and local government, but also ones which affect local people, who have experienced a drop in their living standards, rising fuel and fuel bills and higher accommodation costs. It was noteworthy, in our recent residents’ survey, that 59% of Oxford residents said they had been affected negatively by the economic climate, while 20% reported being unable to pay fuel and energy bills, 17% had struggled with rent or housing costs, and 12% had difficulties affording food. Oxford is a relatively affluent but starkly unequal city, and the current circumstances have made that worse.

We are still assessing the impacts of the Chancellor’s October 2024 budget upon our finances. Some elements will be welcome, notably the extra support for local authorities

faced by spiralling costs of homelessness, the delay to mooted changes to business rates, and the continuation of the Household Support Fund (although this is received by the County Council). We understand that additional Employers' National Insurance costs will be borne centrally for the Council, but they will clearly affect our wholly-owned companies and our suppliers. We understand the huge pressures across the public sector, and witness the legacy of austerity on health services, the police, the justice system and schools across our city, but nonetheless we are concerned that there is simply insufficient funding being made available to support vital local services.

This budget sets out our local response to this context. We are having to provide an extra £1.846 million every year to fund temporary accommodation pressures., over and above our existing budget. This is exceptionally unfortunate for the City Council but of course also reflects the difficulty faced by households who have to leave their properties because they cannot afford their rent – a common form of homelessness. We look forward to new legislation preventing “no fault” evictions and that will be of benefit. In addition to funding necessary support for those made homeless, we are doing our best to address its causes. Substantial new council housing is proposed: funding is allocated for 1,049 dwellings to be purchased by the Council from OxPlace (our locally-owned housing company), of which 190 should have been completed by the time this budget commences.

The Housing Revenue Account is funded to build 227 new council homes directly, and acquire 115 more, and will take over 352 homes at Barton Park. Taken together, this represents a step change in the supply of council housing in Oxford. We will not neglect our current housing stock either: for example, funding of £22 million is included for energy efficiency works to Council properties in our five-year investment plan in our own stock.

Our residents' survey has been an important source of insight into people's concerns and aspirations for Oxford. It is pleasing that 54% of people are satisfied with council services (up from 52% last year). However, we want that figure to be higher. It was striking that 43% thought that Parks and Open Spaces are the most important thing making somewhere a good place to live; this budget includes funding for the new splash park in Hinksey, increased grass-cutting and litter picking in parks, and a freeze on pitch-hire fees for football teams at youth and adult level. It was also noteworthy that while 54% of people were satisfied with the cleanliness of streets in the city centre, this dropped to 46% in residential streets, so we have increased funding in this area also.

Overall, there is a clear message that local residents want their local councils to get the basics right. We are responding positively to this, for example by proposing extra funding for verge cutting. We are conscious that the County Council's decision drastically to reduce verge cutting has led to areas having a neglected feel, and our additional investment last year to counteract this proved insufficient. It is unwelcome that we have to pick up the pieces of County Council decisions but given the strength of feeling it is the right thing to do.

There is strong support for community centres in our residents' survey, with 44% agreeing they are important (as against just 9% disagreeing). Funding continues to be included for the new community centres in East Oxford and on Blackbird Leys. The centres will need to generate income from commercial bookings to cross-subsidise community activities, but this should generate more use of the centres overall, and be of benefit to local communities. We are making funds available for our leisure centre

provider to undertake some remodelling of facilities to increase usage, and also employing a new surveyor to ensure facilities are properly maintained. We have allocated new funding in the Housing Revenue Account to support youth work, demonstrating our long-term commitment to our Youth Ambition service, which provides positive play and holiday activities for 11 to 19 year olds throughout Oxford, and particularly in areas where other opportunities are most limited.

Our aim, as previously, is to safeguard frontline services, and we continue to draw upon the Oxford Model to do so, whereby we receive income from commercial property, regeneration projects and our wholly-owned companies. A careful analysis of commercial income means there is an additional £7.1 million income anticipated over the plan period (including from lease regearing and city centre regeneration), reducing the need for service reductions. We anticipate dividends of around £19 million from our two wholly-owned companies, Oxford Direct Services and OxPlace, over the four-year plan period. Bluntly, this means that these are £19 million of service cuts which we no longer have to find.

This remains a difficult context in which to set a budget and clearly there are some proposals, such as not continuing with ward member grants, some

reductions in voluntary sector grants, and increasing garden waste fees, which we would rather have avoided. However, we believe our focus on getting the basics right as a council with improved litter collection and verge cutting, investing in our communities, and supporting our young people, is the right priority, as is continuing with the Oxford Model to reduce the need for cuts. We would welcome feedback as part of our budget consultation exercise on our proposals.

## **INTRODUCTION**

1. This report sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the four years 2025/26 to 2028/29 and gives interested parties the opportunity to comment and be consulted on the Council's budget proposals for the financial year (2025/26). 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 four-year period with the use of a net £6.4 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 but introduced in 2026-27.
  - c) Assumes a council tax increase of 2.99% for 2025-26 and annual Council Tax increases of 1.99% thereafter.
  - d) Assumes dividends from our wholly owned companies over the four-year period of around £19 million.

- e) Assumes an increase in council house rents of 2.7% in 2025-26 to an average of £133.68 per week.
- f) Assumes new build of dwellings by the council’s wholly owned Housing development company OXPlace of 1,473 dwellings over the life of the 10-year development programme, of which 1,049 social dwellings will be sold to the Council. In addition, a total of 352 social dwellings will be acquired by the HRA at the Barton development.
- g) Includes spend on energy works and reducing carbon emissions over the next five years of over £22 million in relation to council housing.
- h) Facilitates capital investment of £710 million over the next five-year period.

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

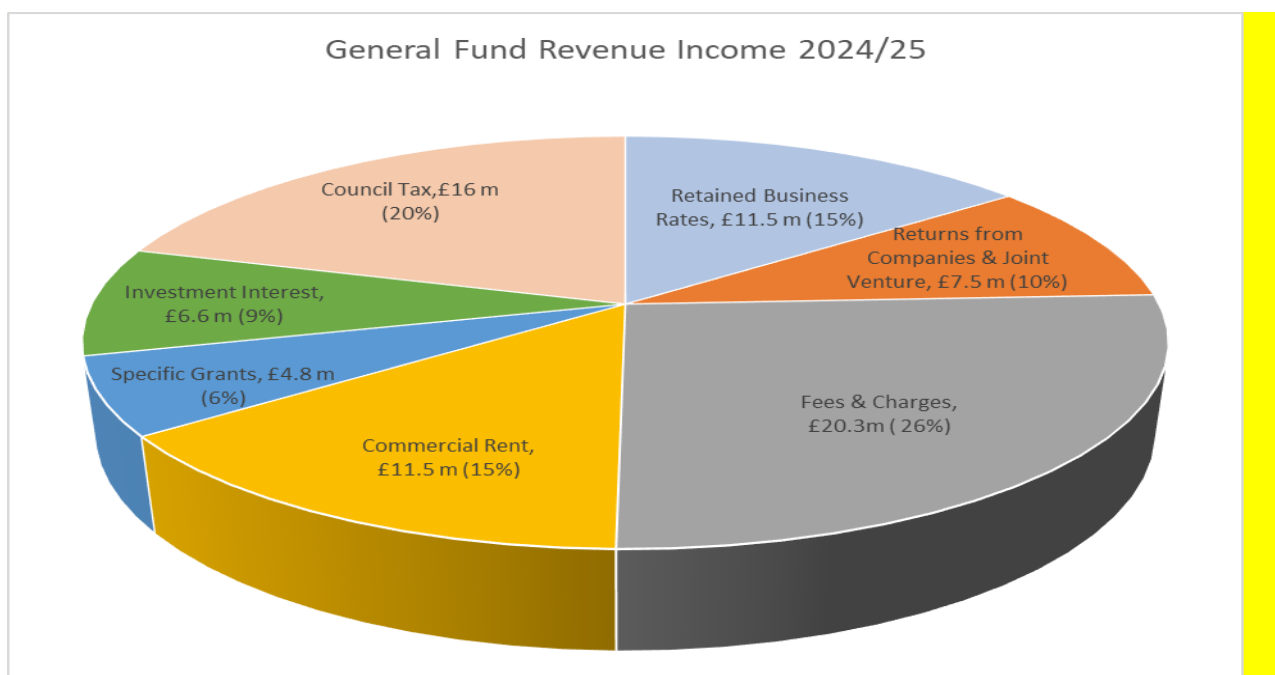
- Section A Economic context, our priorities and budget setting strategy**
- Section B General Fund Revenue Budget**
- Section C Housing Revenue Account (HRA) Budget**
- Section D Capital Programme**

**Section A - Background and Context**

**Background**

- 4. This report sets out the Council’s financial plans for the period 2025/26 to 2028/29. 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 the ‘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**

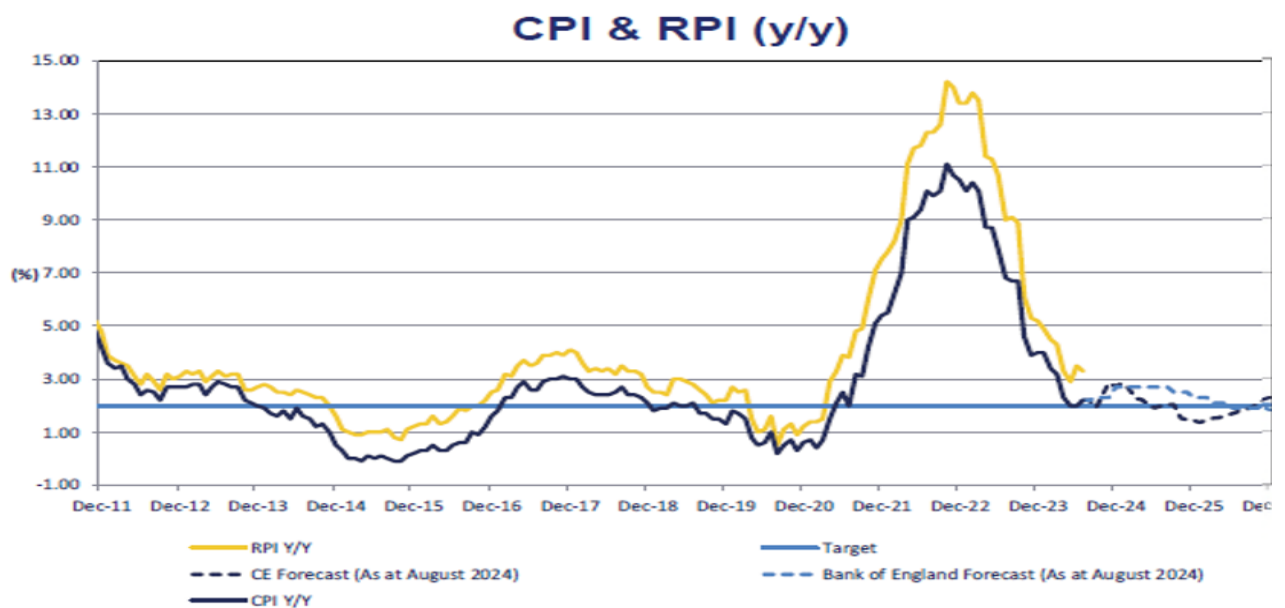


- 6 Over half of our financial resources are derived from sources generated by the Council, with 10% being delivered by the Council's wholly owned companies OXPlace and ODS. This level of income maximisation requires a commensurate level of staff, providing technical knowledge and professionalism without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

### Inflation

7. Consumer Price Index (CPI) inflation rose by 1.7% in the 12 months to September 2024 down from 2.2% in August. Retail Price Index (RPI) for the same period is 2.7% down from 3.5% in August 2024. The budgets for most supplies and services that the council purchases are cash limited and therefore any increase in inflation represents real terms cut for service managers.

**Table 2: Inflation Forecasts**



### Interest Rate Forecasts

8. On the 7<sup>th</sup> November 2024 the Bank of England cut base rates from 5.00% to 4.75%. This is the second time the Bank of England has cut the rate after it fell from 5.25% to 5% in August. 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 2024 to December 2027**

Comparison of forecasts for Bank Rate today v. previous forecast													
Bank Rate	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
11.11.24	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
28.05.24	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00	.	.	.
Change	0.25	0.50	0.75	0.75	0.75	0.50	0.50	0.75	0.50	0.50	.	.	.

9. Base rates are estimated to steadily decline over the period until plateauing at 3.5%. Investment earnings on cash balances and borrowing included within the MTFP has used these rates.
10. The council holds £218 million of external debt largely in respect of HRA self-financing taken out in April 2012. 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 (the underlying need to borrow to fund the capital programme) increases so will the need to undertake external borrowing.

## **Autumn Budget and Spending Review 2024**

11. The Chancellor's Autumn Statement was announced on 30<sup>th</sup> October 2024. The announcement set out the medium-term path for public finances, accompanied by a one-year Spending Review covering settlements for 2025-26. This statement is usually followed by a Policy Statement thought to be published in late November, with the Provisional Finance Settlement to be announced on 19<sup>th</sup> December 2024.

### **Core Spending Power (CSP)**

12. Core spending power is a term used to measure the core revenue funding available for local authority services through the local government finance settlement. It consists of revenue grant funding made available through the settlement, locally retained business rates and council tax income.
13. There will be real terms increase of core spending power of around 3.2% in 2025- including at least £1.3 bn of new grant funding of which at least £600m will be new grant funding for social care. Last year's increase was 6.5%.

### **Council Tax**

14. No formal announcements have been made by the Government on the council tax referendum levels for 2025-26. Of late, there has been talk of allowing maximum council tax increases of up to 5%. It is assumed that this is reference to the social care precept which currently provides for County Councils and Unitary authorities to increase their council tax by up to 5%, without the need for a referendum. If this is the case, then it likely that districts will be able to increase their council by the higher of £5 or 2.99%, which has been assumed in this report.

### **Other Grants**

15. Other grants included in the announcement relevant to the council, but which we do not yet know the local impact of include:
  - **Extended Producer Responsibility Scheme (EPR)** local authorities are expected to receive around £1.1 bn of new funding in 2025-26 through the implementation of the EPR to improve recycling outcomes from January 2025.
  - **Shared Prosperity Fund** – this grant will continue for a further year and be worth £900m. The Council has in the past benefitted from £1 million grant in previous years.
  - **Homelessness Prevention Grant** – Whilst not confirmed it is expected that the HPG currently worth around £1.109 million to the authority, will

continue for another year since the government confirmed an additional £233 million for local authorities in 2025-26 to prevent homelessness in their Autumn Budget.

- **Disabled Facilities Grant** – There will be an additional £86m in 2025-26. The Council currently receives an annual amount of around £1.4 million per annum.
- **Support for bus operators** – The bus fare cap will be extended until December 2025 at a higher rate of £3, increased from £2 in the current year.
- **Cycling** – An additional £100m investment in cycling and walking infrastructure
- **Electric vehicle charging** – Over £200m in 2025-26 to accelerate the rollout of electric vehicles

### **Business Rates –**

16 It is not stated whether local authorities will be fully compensated for the loss of income as a result of the new business rates measures detailed below although as in previous years this has been done so.

- **Multipliers:** freezing the small business multiplier relief in 2025-26 and a full CPI increase to the standard multiplier. An intention to introduce permanently lower multipliers for retail hospitality and leisure properties with a rateable value under £500k funded by a new higher multiplier on all properties with a rateable value of £500k and above.
- **Retail, Hospitality and Leisure Relief:** relief for eligible retail, hospitality, and leisure businesses extended and reduced from 75% to 40% business rates relief up to £110,000 per business
- **Fairer Funding** – Although there was no mention of “fairer funding” the government has confirmed that a business rates revaluation will go ahead in 2026 and it is assumed that “fairer funding” will be introduced at the same time. This is likely to have adverse effects on Oxford City Council.

### **Social Housing**

17 Announcements relevant to the management of the council’s housing stock include:

- **Affordable Homes** – funding through the affordable homes program will be increased by £500m in 2025-26
- **Rent increases** are capped for 2025-26 under existing arrangements at CPI+1% i.e. 2.7%. The Government is consulting on a new 5 year settlement at CPI+1% from April 2026 and seeking views on a similar 10 year settlement.
- **Public Works Loans Board** – The government is extending the discounted PWLB, HRA lending rate until March 2026

### **Corporate Priorities**

18 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 2025 in line with its key corporate priorities approved at Cabinet in July 2024:

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

19 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.

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

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

## Section B General Fund Revenue Budget

21 Appendix 1 and appendix 2 give details by service and directorate of the budgets for General Fund Services over the 4 year Medium Term Financial Plan. In addition to the Chancellor's Autumn Statement other Key General Fund assumptions are discussed in more detail below.

### Key General Fund Assumptions

#### Retained Business Rates

22 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 2025/2026 are shown below. The overall amount of retained business rates by the authority for 2025-26 represents around 12.8% of total business rates income.

<b>Table 4 : Retained Business Rates 2025-26</b>	
	<b>£million</b>
Estimated Business Rates Income	99.740
Billing Authority Share (50%)	49.746
Oxford City Share (80%)	39.796
Less Tariff paid to Government	32.673
<b>Amount remaining after tariff (A)</b>	<b>12.871</b>
Baseline Business Rates	6.986
Income above baseline (£12.871- 6.986)	5.885
Levy -50% of income above baseline <b>(B)</b>	(2.942)
S31 Grant and other adjustments <b>(C)</b>	-558
Business Rates Distribution Group net of reserves transfer <b>(D)</b>	500
<b>Total retained business rate income (A+B+C+D)</b>	<b>12.810</b>

#### Notes:

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

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

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

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

23. For 2025-26 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.
24. 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 2025/26 is part of this report.

### **New Homes Bonus (NHB)**

25. There was no reference to New Homes Bonus in the Autumn Statement and therefore no further amount has been assumed in the MTFP, although this may be included in the Core Spending Power assessment. Subsequent announcements suggest there will be a final, one-year allocation. Even if it is included it is not anticipated that the amount due to Oxford will be significant since the change in the number of dwellings brought into rating between November 2023 and October 2024 on which the calculation is based has not moved materially overall.

### **Corporate Planning Assumptions**

26. **Council Tax Increase** – For the past two years the maximum Council Tax increase without a referendum has been 2.99% or £5, whichever is the higher, for District Councils. The referendum rate is assumed to be 2.99%, the level which existed prior to the two-year period with effect from 1-4-2025 with increases of 1.99% for the foreseeable future. Each 1% increase represents around £167k of additional annual income.

27. **Tax Base** – The tax base is estimated at 48,127 although this will be subject to change when it is set at Audit and Governance Committee in January 2025.

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

- Investment interest rates – 4.50% - 3.00%
- Borrowing rates – 4.88% - 4.15%

29. **Externally Managed Property Investments** – The Council held £10 million invested in two funds for £3 million and £7 million respectively. Whilst the £3 million fund remains in its entirety the council is withdrawing its funds from the larger of the two. This is a gradual process requiring the fund manager to sell assets in order to fund withdrawals although the council should have fully exited this fund by 2025-26. The

Council continues to make returns of around 3.5% although capital values are still depressed.

30. **Ray Valley Solar Farm** – The Council holds loans to Ray Valley Solar Farm of £4 million.
31. **Multi Asset Funds** – The Council has appointed two fund managers, Artemis and Fidelity, to manage £5 million each of the Council’s investments. The funds consist of a diverse range of investments including stocks shares and cash. Whilst financial returns continue to run at around 3-4% the principal value of the fund have been trading below par, albeit they are now showing signs of recovery. These funds are long term holdings in nature and the position is being monitored.
32. **OxWed Development** – The Council has made loans of approximately £13.5 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. As at 31<sup>st</sup> March 2025 the total of accrued interest will be approximately £7.6 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.
33. **Housing Company** – The Council provides subsidy control compliant loans to its wholly owned company Oxford City Housing Ltd (which trades as OxPlace) and makes a return above that which it borrows from PWLB. The marginal return is currently 3.20% for development company loans. In 2024/25 Council agreed to purchase all properties held within OCH(I)L and transfer them to its housing revenue account. All loans within the company have now been repaid to the Council and no further loans are assumed to be advanced to OCH(I)L In addition to interest returns the company makes dividend returns to the council which are estimated at around £8 million over the 4-year MTFS.
34. **Inflation** –Most budgets are cash limited. 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.
35. **Pay Assumptions** – The two year pay deal agreed by the Council and unions in 2022 expires on 1<sup>st</sup> April 2026. For 2025-26 pay increases were agreed at 3% following 6.5% agreed for 2024-25. Inflationary increases have been assumed for the later years of the MTFS.
36. **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.
37. **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 £200K of this NCIL to fund voluntary sector grants, which are of benefit to neighbourhoods throughout the City.

**38. Net cost of Housing Benefits** – From 1-4-2025 most households currently claiming housing benefit will be migrated to claiming household costs through universal credit. The council will continue to administer the council tax reduction scheme and also some specific elements of housing benefit such as payments in respect of supported accommodation will be paid by the authority. Whilst most housing benefit expenditure is reimbursed to the authority in full by way of housing subsidy, where supported accommodation is not provided by a registered provider, housing subsidy is capped. There is a financial pressure of approximately £800k per annum in the current years budget and it is anticipated that this will continue and consequently this has been built into the councils MTFS.

### **Efficiencies**

39. Additional Efficiencies totalling £3.8 million are estimated from 2028-29 as shown in Appendix 3. There are several new efficiencies identified including:

#### **Ongoing efficiencies**

- a) **Customer services – £421k per annum.** The introduction of the housing customer portal and the move of housing benefit claimants to universal credit from 1-4-2025 will reduce service volumes. This is anticipated to give rise to staffing savings in customer services of 2 fte in 2025-26 and a further 2 fte from 2026-27 onwards. In addition, restructure proposals will release a further £104k of savings from 1-4-2025 onwards. Further savings will be realised from the Customer services program in areas such as the call centre, postage and also the interface with ODS realising another estimated £200k of savings with effect from 1-4-2026.
- b) **Human Resources and Organisational Development £98k per annum–** Proposals have been put forward to restructure the service and make 1 vacant post reduction split over 2026-27 and 2027-28.
- c) **Corporate Strategy - £27k per annum -** Reduction in external communications resource – 0.5fte
- d) **Financial Services - £155k per annum-** Impact of migration of Housing Benefit administration to universal credit from 1-4-2025 plus advances in the robotic processing of transactions within revenues and benefits.
- e) **Financial services – £75k -**Structural changes within the financial accounting team and digitisation of processes in the payments team leading to reduction of 2 fte
- f) **Financial Services - £40k per annum.** With effect from 1-4-2025 the council will no longer include financial information in with council tax and business rates bills. Instead, reference will be made to this information contained on the council's web site.
- g) **Law and Governance - £13k per annum from 2026-27 –** structural review in democratic services
- h) **ODS – Client – £470k per annum -** Reductions in provision for consultancy

- i) **ODS Client - £100k per annum** – operational savings from reducing the size of the fleet
- j) **ODS Client - £238k per annum** reductions in management and overhead cost of the business.
- k) **ODS Client - £100k per annum** – reduction in the size of the recycling promotions team from 4 to 2 now that recycling practices with residents are embedded.
- l) **Planning services - £65k per annum** - increased digitisation of the services should enable the service to reduce administration costs in addition the work is ongoing to establish a shared service for the provision of building control with cost savings estimated at £30k per annum.
- m) **Localities Management - £60k saving from 1-4-2026.** Reducing the amount of funding to the programme by remodelling the service to provide a city wide offer
- n) **Community centres – £56k first year then £112k per annum-** Moving towards a more commercial position at the community centres, particularly around generating income, so that commercial lettings support community-focused work
- o) **Council Tax Reduction Scheme – £90k saving per annum.** Review the scheme whilst continuing to protect those families on the lowest incomes.
- p) **Barton Community Centre - £27k per annum–** The Council currently pay the community organisation to clean and lock up the centre. This is an anomaly because this cost is borne elsewhere by community associations in Oxford, so we propose to move to a similar arrangement in Barton.
- q) **Removal of Equalities post - £58k per annum** The post holder has left OCC but workstreams have been embedded across other posts in community services and HR. The proposal is not to replace the post.
- r) **Christmas Lights Festival - £20k per annum** Proposal is to reduce the funding for Christmas Light Festival and instead encourage cultural or other partners to fund. If funding is not found, the festival would need to reduce in size.

## Service Reductions

40. 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:

- a) **International Links - £50k per annum from 2026-27–** This will scale back the work in this area of Council work; it will be reviewed alongside the Civic Office and Events to understand the optimum structure of relevant teams and what work can be afforded.
- b) **Grants to advice centres - £44k per annum from 2026-27.** The base budget spent by the council on commissioning Housing Advice is £448k per annum. This would represent a 10% reduction, which we hope will be recouped by the advice sector looking to reduce its overall operating costs.

- c) **Ward member grants - £72k per annum.** Ward members have hitherto been given an amount of £1,500 each in addition to ward member Neighbourhood Community Infrastructure Levy (NCIL) payment of £2,500 i.e. an amount of £152k per annum. (48 councillors \* £1500 and 32 councillors \* £2500, with no payment of NCIL to councillors in the following wards, Blackbird Leys, Cutteslowe, Headington, Littlemore, Northfield, Quarry, Summertown and Wolvercote ) Cessation of the ward member grants is proposed, as they are no longer affordable in the current climate.
- d) **Modern Art Oxford - £25k per annum.** This reduction represents 50-% of the grant, which covers the cost of premises, and the organisation is asked to pay a larger proportion of its rent.
- e) **Big Ideas Grants - £9k per annum.** The big ideas grant fund totals £338k per annum and is used to provide 3-year funding to 36 strategic partners which is used as seed funding for additional monies. A modest reduction of 2.6% is proposed.
- f) **Empty Homes - £37k from year 2-** The proposal is to scale back work in this area because of the relatively low number of empty properties in Oxford which can be addressed by Council action.

### Transformation – ‘Fit for the Future’ Programme

41. 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** and the moving to cloud-based technology
- **Rationalisation of office accommodation** and improved ways of working achieved through the vacation of St Aldates Chambers with savings of approximately £1.4 million per annum already achieved.
- **Streamlining systems and processes** including the use of Robotic Process Automation being achieved in a number of services including planning and revenues and benefits.
- **Customer Experience** – streamlining and redesigning how the customer interacts with the council whilst looking to channel shift many of our services towards digitisation with additional ongoing savings of £422k per annum being included in this MTFP refresh.
- **Rationalisation of Senior Management Structures** in the organisation. Proposals are currently being consulted on which will see the reduction from 3 directors to 2 assistant chief executives and 10 service heads down to 7 strategic directors. This saving will contribute to the target of £1.4 million of management savings identified from 2026-27 onwards, with savings achieved to date against this target totalling £1.15 million.

### Income

42. Income over the 4 year period is set to increase by another £8 million, over the current base budget and primarily includes:

- a) **Corporate Property - £7.1 million additional income over the 4 year period** – The baseline budgeted commercial rent income figure is currently estimated at around £10m per annum for 2024-25. Significant increases arise from

- City Centre major development scheme - £2.5 million with effect from Summer 2028
  - St Aldates Chambers – additional £1.5 million October 2025
  - Additional income from re-letting of 1-3 George Street from 2025-26
  - Bus shelter advertising income - £328k per annum- following a recent tendering exercise.
  - Alternative uses of council owned property £100k per annum – the council will explore the alternative uses of upper floors.
  - Capital receipt from land transactions of around £9m with revenue impact of circa £700k per annum
  - A targeted £6 million of capital receipts and a reduction in borrowing costs of around £432k per annum from various opportunities for freehold disposal and long lease regears.
- b) **Planning Fees - £45k increased income.** Planning fees and charges were last increased in 2023 the implications of which are included in the fees and charges at Appendix 7. Increased income was included in the budget for this financial year 2024-25 and although actual income is tracking behind the budget, delays in some recruitments have offset this pressure. The government has recently consulted on whether local authorities should be able to set fees locally, whether the national fee setting should continue or whether there should be a hybrid of the two. This consultation closed in September 2024 and the results are awaited. Should changes be agreed by Government then a report will be tabled at Cabinet to discuss the implications.
- c) **Car parking income - £6.8 million.** Car parking income this year at the half year shows an increase of around £500K against the profile albeit with 6 months of the year to go. The largest forecast increases are in park and rides and Oxpens car park although the latter is due to close in 2025-26. We will continue to track the income and the potential impact on future years of the MTFP. Changes to parking tariffs in the budget proposals from 1-4-2025 include increases of 30p on all tariffs for city centre car parks and 20p – 30p on all tariffs for others. There is also a projection of around £50k per annum in future years of the MTFP on the expectation of similar increases.
- d) **Environmental Sustainability –£90k net pressure.** The Council was at the forefront of establishing a Dynamic Purchasing System (DPS) procurement platform for other authorities to use. National changes in concession contract regulations have severely impacted planned growth of the DPS with expected income dropping to around £25k-£30k from the projects £190k in 2024-25.
- e) **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 £120k per annum by year 4 of the MTFP.
- f) **ZEZ pilot** – In 2023/24 £100k income was included within the budget on a 2 year pilot. This amount has been increased from 2025-26 to £210k per annum although from 2027-28 this amount may reduce to zero at the point as and when the County Council creates a city wide Zero Emission Zone, as it has no wish to partner with Oxford City Council.
- g) **Management fee from leisure operations-** additional £1.3 million income by year 4 of the MTFP. The Council agreed a contract with a new supplier for the future operation of its leisure facilities from 1-4-2024. The council receive a management fee from the operator.



- h) **Commercial Events Income** - £30k additional income building up to £120k pr annum in future years. This includes additional income for events in parks, which would be enjoyed by local residents but also generate a return.

43. **Fees and Charges** – Details of specific fees and charges increases in 2025-26 are given in Appendix 7 with summary details below:

- a) **Off street Car Parking** –
  - i. City centre goes up by **30p** on all tariffs **£4.40** for first hour
  - ii. District centres up by **20p to 30p** on all tariffs with first hour ranging from **£2.60 to £2.70**
  - iii. Parks go up by 20p on all tariffs from **90p to £1 .40** for first hour
- b) **Park and Ride** – Nil on parking only tariffs with first hour free. Work is underway with the County Council and bus companies to look at the impact on viability of the combined ticket price, taking account of the government's decision to increase the national bus fare cap from £2 to £3. As a result, the P&R combined bus and parking ticket may increase by between £65p and £1. Consideration will also be given to an evening tariff for the combined ticket.
- c) **Car parking permits**
  - i. Outer car parks – annual permits up from £100 to £105 alongside other changes
  - ii. Park and rides – annual permit up from £370 to £380 alongside other changes
- d) **Garden waste bins** - £85 increased to £90 (5.88% increase) with an increase in the concessionary rate from £50 to £53 i.e. 6.00%
- e) **Replacement bins** – for the replacement of two wheeled blue, green and brown bins - £35 increasing to £36.50 i.e. 4.29%% increase
- f) **Bulky Waste collection:** Current charge of £22 per item increasing to £23.50 (6.82%) and from £33 to £34.10 (4.55%) for larger items, e.g. refrigerators, washing machines etc. with concessions remaining unchanged. 50% concessionary rates.
- g) **Land charges** – £59.90 to £65.75 - 9.78% increase
- h) **Planning fees** – Planning fees were last increased by the Government in December 2023 and these have been included in Appendix 7
- i) **Building control** – Increases ranging from 40-50% in line with costs and market factors
- j) **General Licenses** – increases of up to 10%
- k) **Leisure** – increases of between 5-7% reflecting running costs
- l) **Pitch fees:** It is proposed to freeze pitch hire fees for this year, to support local sports clubs and as a reflection of their increased running costs.

#### **Other**

- m) **Cemeteries-** exclusive rights of burial for 50 years- £818 increase per annum (80%) exclusive right of burial for 25 years £25 increase per annum (5%)
- n) **Pest Control** – rates, mice etc. – 10% or cost of time taken
- o) **Dog warden collection** - £16.35 per annum – (10.%)
- p) **Taxi Licenses** - £18.40 per annum for hackney carriage (4% - 5%)
- q) **Garages** - £0.78 per week – 4%

## Expenditure Pressures

44. Excluding pay increases there are other service pressures which are impacting the council the most significant of which include :

- a) **Temporary Accommodation (TA) – Additional £1.846 million per annum.** **Housing services** continues to experience the most significant increase in homelessness demand in over a decade. There has been a real risk that the Council could fail to deliver its statutory homelessness function over the last 12 months due to this unprecedented rise in demand and unavailability of suitable housing. This has been avoided and the service is now in a better position, due to significant and urgent service development and fixed term investment which has seen more staff working on the prevention of homelessness and the management of temporary accommodation (TA), alongside good progress in sourcing more accommodation. This has been funded through a combination of £300k provision made within the Council's budget, and the government top up to the Homelessness Prevention Grant.

It should be noted, however, that the ongoing challenge of high demand remains the same. It has major implications on the Council's budget position for years to come, due to the cost of needing to temporarily accommodate so many households in expensive short-term accommodation such as BnB and Nightly Charge, which resulted in a large overspend in 23/24 and continues to put a pressure on the 2024-25 budget.

The May forecast outturn, based on the projections at the time indicated that the service budget would be overspent by £3.3 m in 2024/25, due to high and increasing numbers of households accommodated in hotel and B&B accommodation. Latest modelling in September suggests that projected TA numbers, informed by the latest TA placement rate and pipeline of new TA stock the Council is bringing online over the next 2 years, and faster TA move on that the previous forecast overspend can be revised to around £1.9 million.

The reason for the ongoing overspends into future years is due to demand showing no signs of declining, resulting in continued rises in numbers in TA, and time needed to grow sufficiently both our temporary accommodation stock and our permanent pipeline of supply across the private and social sectors.

- b) **ICT – £435k Software** and license costs of our major systems including Agresso financial management, Civica Pay and license cost.
- c) **ICT Infrastructure –£389k per annum** Council in April 2024 agreed an extension in the contract for the provision of ICT infrastructure with the current service provider. Over a 2-year period the provider will assist the council to move core council systems to cloud based technology aimed at reducing server costs at the same time as the council initiating a review of storage costs. Over time there will be cost reductions although at this point it is difficult to estimate the amount.
- d) **Cyber Response- £223k per annum** - in order for the council to ensure the security of its ICT systems it requires third party expertise. This was approved last year for one year and this provides budgetary resources to finance ongoing.

- e) **May Morning Cost Pressure -£25k per annum** – Efforts to obtain sponsorship to fund these costs have not been achieved although council officers will continue to work on this it seems prudent to make some budget provision.
- f) **Additional surveyor for leisure centres - £46k per annum** – Provision has been made for a surveyor to look after the leisure estate and ensure that the buildings are made appropriately.
- g) **Planned repairs and maintenance –£303k per annum** - The base budget for planned maintenance is currently £0.446k 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. This supports the increases of income from the property portfolio.
- h) **ODS contractual pressures - £52k per annum** – These cover items such as fly tipping and bulky waste collections, life ring maintenance, street furniture maintenance. Kennelling and flooding kit storage where costs have grown over time and can no longer be absorbed by ODS.
- i) **ODS client - £160k per annum from 2026-27.** ODS have managed to extend its waste and recycling service to around £3,900 additional properties since 2018 without additional budgetary provision. With a further 3,000 new dwellings estimated over the MTFP period there will be a need to include another waste crew and vehicle at some point.

## New Expenditure

45. New Expenditure where the Council has a choice whether or not to undertake is estimated at around £300k per annum. This reflects areas which will be of benefit to the general public who wish to see core council services delivered well. The most significant includes :

- a) **Reversal of reduction to grassed areas in parks - £36k** - This reverses the saving made in 2024-25 for the cutting of grass in parks from 5 cuts back to 8 cuts per year.
- b) **Enhanced litter pick £30k per annum** – This provides for additional litter picking from Friday to Monday in the summer months when littering is more prevalent.
- c) **Website Management - £79k per annum** – 1 fte plus associated costs to cover website development
- d) **Procurement – £45k per annum** – 1 fte to provide resource to assist with the changes in procurement following the implementation of the Procurement Act 2023 in February 2025.
- e) **ODS client – £82k per annum** – removal of the saving agreed last year which diminished street cleaning resources, and provision of additional resource throughout summer, Christmas period and weekends to be deployed in city centre and busiest suburban centres.
- f) **ODS client - £32k per annum** – This additional budgetary provision will fund a third cut of grass verges, after the County Council reduced provision in this area.
- g) **Business support to work outside of the city centre - £75k cost for 2 years.** This will provide business support in some of our localities such as Cowley Road to support them in identifying issues, linking them with

other organisations and helping them to establish an ongoing forum that they will manage themselves.

- h) **Economic Strategy review - one off £50k** - it will be necessary for us to review our Economic Strategy over the MTFS. The strategy is 2 years old now and will become dated over the MTFS period.

46. 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 2025-26 – 2028-29**

	2025/26 £000's	2026/27 £000's	2027-28 £000's	2028-29 £000's
<b>Total Base Budget</b>	<b>35,584</b>	<b>35,584</b>	<b>35,584</b>	<b>35,584</b>
<b>Service Proposals</b>				
Contractual Inflation	5	5	5	5
Pressures	3,181	3,330	3,144	3,019
Existing Efficiencies	(567)	(660)	(750)	(760)
Invest To Save	(46)	(92)	(144)	(244)
Fees And Charges and rents	(1,856)	(4,241)	(5,170)	(8,003)
New Investment/Bids	(192)	(202)	(202)	(202)
Transformation & New Efficiencies	(2,182)	(2,595)	(2,479)	(2,629)
Service Reductions	(490)	(776)	(836)	(846)
<b>Total Service proposals</b>	<b>(2,147)</b>	<b>(5,231)</b>	<b>(6,432)</b>	<b>(9,660)</b>
Corporate expenditure - pay, interest, cost of capital	(6,101)	1,451	3,676	7,972
<b>Net Expenditure per consultation Budget</b>	<b>27,336</b>	<b>31,804</b>	<b>32,827</b>	<b>33,896</b>
<b>TRANSFER TO/(FROM) RESERVES</b>	<b>2,343</b>	<b>(1,754)</b>	<b>(2,238)</b>	<b>(3,058)</b>
<b>NET BUDGET REQUIREMENT</b>	<b>29,678</b>	<b>30,050</b>	<b>30,589</b>	<b>30,838</b>
<b>FUNDING</b>				
<b>TOTAL FUNDING</b>	<b>(29,678)</b>	<b>(30,050)</b>	<b>(30,589)</b>	<b>(30,838)</b>
<b>Deficit /(surplus)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>

**Key:**

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

**Use of Working Balances and Transfers from Reserves**

47. The MTFP allows for the use of £5.3 million of reserves over the 4 year period. Other earmarked reserves that are not ring fenced at 31-3-2024 stand at around £20 million. In addition to these reserves there is another £3.6 million un-ringfenced working balance.

## Risk Implications

48. The main risks to the balanced position of the General Fund consultation budget (Appendix 8) are that:
- a) Provisional Finance Settlement when announced in December is not as good as assumed .
  - 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) Companies do not perform as well as expected leading to reduced income to the Council.
  - f) Business Rates income is lower than forecast.
  - g) Variations in interest rates or non-performance of property funds and multi asset vehicles effecting returns to council.
  - h) Slippage in the capital programme adversely affects revenue savings and additional income in the MTFS.
  - i) Cuts by partner organisations such as the County Council adversely affect service provision.

## Wholly Owned Companies and Joint Ventures

### Oxford Direct Services Ltd

49. On 1<sup>st</sup> April 2016 the Council established a wholly owned local authority trading company for services provided by Direct Services at that time. The company takes the form of:
- a) A Teckal company (Oxford Direct Services Ltd)– providing all statutory services to the Council benefiting from a procurement exemption together with externally traded services for engineering, motor transport and building works.
  - b) A Trading Company (Oxford Direct Services Trading Ltd) – providing externally traded commercial waste services.
50. At the time of preparing this report, the companies 2023-24 accounts have been audited but have yet to be approved by the Board. The accounts indicate an overall surplus of around £3.3 million for the two companies, which bodes well for the declaration of a dividend from the company in line with Council’s budget of £1.9 million for 2024-25, once the accounts have been signed off and presented to the shareholder in November.
51. The Companies have yet to present any updated Business Plans to shareholders with the last ones presented in December 2023. Surpluses from ODSL were shown as flat lining at around £1.9 million per annum for the next few years whilst surpluses from ODSTL are shown as increasing. Details are given below:

**Table 6 : Oxford Direct Services Revenue – 2023-24 to 2027-28**

<b>Updated ODS Business Plan -Dec 2023</b>					
	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Profit after tax					
ODS	1,862	1,862	1,862	1,862	1,862
ODSTL	809	861	1,831	2,577	3,245
Total surplus	<b>2,671</b>	<b>2,723</b>	<b>3,693</b>	<b>4,439</b>	<b>5,107</b>

### **Housing Company- Oxford City Housing Ltd trading as OX Place**

52. 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.
53. In November 2024 shareholders agreed to the transfer of properties from the Barton development that were managed by OCH(I)L to be transferred to the Councils HRA. This decision was ratified at Council on 25<sup>th</sup> November 2024 together with a decision for all future properties from the Barton development to be purchased by the Council. For some time, expenditure within OCH(I)L has exceeded income and the action taken was required to stabilize the company financially and clear its debts and accumulated deficits. The issue has arisen due to the company having costs stemming from the original start-up expenditure that has created a large deficit in the early years of the company. This has been made more challenging in recent times from increased interest rates on the loans (the company borrows 100% of the costs of acquisition and associated conveyancing costs), higher than expected repairs and maintenance expenditure and the company only charges social rents. In summary the expenditure of the company exceeds the income'. The company will become a dormant legal entity pending a decision on its future use. Interest lost to the MTFP from future loans is estimated to be in the order of £800k - £1million.
54. Recent information presented to shareholders of the companies' forecast Statement of Comprehensive Income for 2024-25 indicates income carried forward of £2.2 million after having paid the dividend of £3 million to shareholders which bodes well for when the 2023-24 accounts are signed off in November 2024.
55. Future dividends forecast at £8 million in the MTFP for the next 3-year period 2025-26 to 2027-28 are assumed in the MTFP but the development scheme surpluses from where these dividends are paid remain a risk to the plans going forward.

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

56. The Council has a 50/50 partnership with Nuffield College to undertake the development of the land at Oxpens for residential and commercial purposes.
57. 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 31-10-2024 of £13.5 million loans and accrued interest of approximately £7.1 million.
58. In March 2021 Oxwed's shareholders resolved to proceed with the preparation of a master plan and the submission of a planning application. The planning application was submitted in 2022 and awaits determination.
59. 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 still 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 be sufficient to replace the current investment at 6.5% which could be in the form of reducing future borrowing for financing the capital programme. Given the uncertainty no financial implications have been included within the Councils MTFP over the 4 year period with the exception of the interest from loans.

## Section C Housing Revenue Account Budget

### Background

60. The Council continues to operate an ambitious programme of investment both in the maintenance and refurbishment of its existing stock of 7,869 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 £534 million of capital works over the next five years (£320 million when adjusted for optimism bias) with £356 million of this being spent on the purchases of 859 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 1,049 dwellings, of which, 190 will have been completed by 31st March 2025. A further 297 new-build units will be completed over the MTFP (running to March 2030). In addition to the OX Place new build developments, the HRA is directly commissioning 227 new builds and 115 acquisitions in the same period.
61. 143 Socially Rented homes at Barton Park have recently been transferred from OCH(i)L to the HRA to alleviate the financial pressure of holding these units within the company. It was also agreed that the future units at Barton Park earmarked for purchase by OCH(i)L will instead be bought by the HRA. In total this will add 352 homes to the HRA stock over the next few years.
62. Elsewhere on the Cabinet agenda, reports are provided on :
  - **A 5-year HRA Investment Plan** and delivery arrangements reflecting the housing stock condition needs and related data, resident survey feedback, the cost of programmes for works and services, and the client management and commissioning arrangements to oversee the delivery of the programme.

- **Asset Management Strategy – 2025-28** – The Plan is focused on the next three years and lays the foundations for the development of a longer-term Asset Management Strategy. This reflects the pace of change in the sector and the need for a 'step change' in our approach as we embed the 'building blocks' of strategic asset management.
- **40-year HRA Business Plan** – outlining the need to develop actions for enhancing the Plan baseline position and develop proposals for determining future HRA investment priorities and choices beyond 2030/31

63. 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

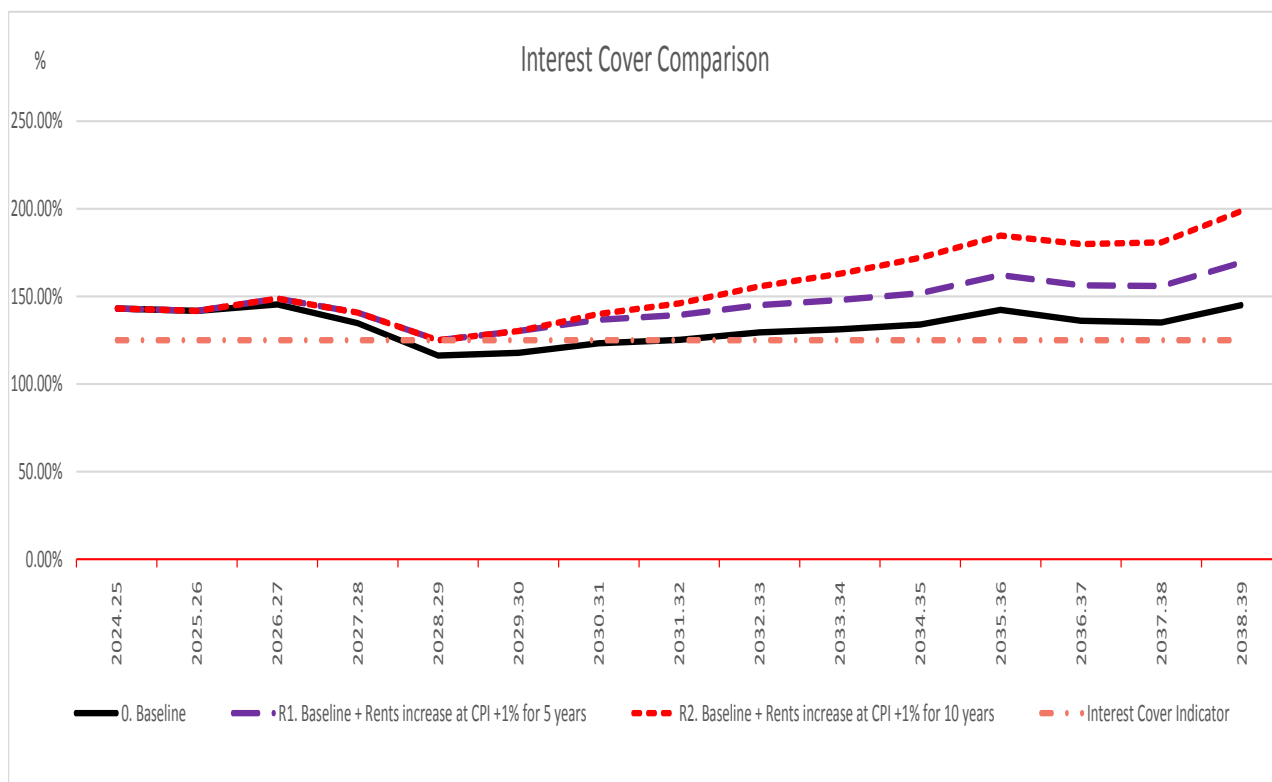
64. The most widely used ratio is interest cover and used by the Council which measures how many times surpluses cover the interest charge and typically Registered Providers would operate on a ratio of 1.72:1 and 2.1:1. As a golden rule 1.25:1 would be acceptable especially given the significant housing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

65. 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.

66. The chart below shows this ratio graphically.

#### **Table 7: Impact on Interest Cover Ratio**





In line with the assumptions below the above chart indicates

- In the baseline position (before overlaying the rent increase projections) the HRA programme is borderline affordable although the ICR is breached in a number of years 2028-29 to 2030-31. There is in effect no capacity for further spend in the HRA Business Plan in the medium term
- Assuming rent increases will be extended at CPI +1% for the 5 years post 2025-26 then HRA borrowing capacity increases from around 2030-31 by as much as £70million. This assumption has been used in the preparation of the HRA Business Plan as the most likely option.
- If rent increases are extended at CPI+1% for a period of 10 years post 2025-26 then further borrowing capacity of around £100m increases from around 2030-31. Although not included over the next 5 years, the council will have choices of where to spend the additional borrowing capacity that is expected to arise from 2030 onwards. Although not exhaustive these choices would include:
  - **Existing dwellings** – the government will be consulting in February on an updated Decent Homes policy. This may require additional investment which is not currently in the programme.
  - **Zero carbon works** – Included within the 5-year Investment Plan is £22 million for energy efficiency works which will assist with progressing the council towards zero carbon by 2040. Notwithstanding the potential additional borrowing capacity, the current HRA business plan already includes a total of £48 million for the 40-year period.
  - **New dwellings** –the current 10-year housing investment programme with OX Place, notwithstanding slippage, will come to an end in 2032. There are cost increases in the current programme in the order of £8.5 million which will require mitigating action to resolve including reviewing the schemes and or the

tenure mixes. This additional cost is currently not assumed in the Business Plan.

### Key Assumptions in the HRA Business Plan

67. 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%

68. 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.

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

<b>Table 8 : HRA Outstanding loans and Working Balances</b>		
	<b>Closing Loan Balance</b>	<b>Working Balance</b>
	<b>£000's</b>	<b>£000's</b>
2025/26	466,130	5,949
2026/27	536,130	5,497
2027/28	597,130	4,665
2028/29	662,130	5,353
2029/30	742,130	4,900
2032/33 – Peak Debt	851,130	3,893
2060/61	105,079	894,757

70 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 2025/26 – 2029/30

#### Rent Increases

71 Under the Government's rent standard from 1<sup>st</sup> 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 2025/26 would be the fifth year of the rent standard.

72 In her Budget Announcement on 30<sup>th</sup> October the Chancellor advised that the Government would consult on an extension of the rent standard of CPI+1% for a

further 5 years and seek views as to whether this should be extended for a further 10 years.

- 73 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.
- 74 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).
- 75 The table below demonstrates the amount of rental income foregone as a result of these restrictions.

Table : Rental Income Foregone			
	Number of Properties	Total Weekly Rent Foregone	Total Annual Rental Income Foregone
Actual Rent is less than Formula Rent	7,134	£76,724	£4,066,372

### Rent Flexibility

- 76 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.
- 77 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.
- 78 For planning purposes, the assumed rent increase for 2025-26 is assumed to be 2.7% with increases of 2% assumed for future years. The impact on current rents of this increase is shown in Appendix 5.

## Shared Ownership Dwellings

79 The rent increase for Shared Ownership will be CPI + 1% based on the CPI rate for the 12 months to the end of September 2024. This will only apply for shared ownership properties owned for the whole of the preceding 12 months (i.e.. before 1st October 2023). For properties purchased after the 30th September 2023 the increase for 2025/26 will be 0.5%.

80 The rent rise included in the Consultation Budget under these agreements is effectively an increase of 0.5% for properties less than 12 months old (as at 30th September 2024) of which the council currently has 8 such properties and CPI + 1% (2.7%) for older properties of which the council has 56 properties

## Right to Buy and other disposals

81 Disposal of around 20 dwellings per year is assumed from 2025-26 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.

82 In the Chancellors Autumn Budget local authorities are now able to retain 100% of capital receipts, although the maximum discounts on Right To Buy housing applications has been reduced. The decrease in the discount may well see the number of property disposals reducing which may counteract for the additional freedom to retain 100% of the receipt,

## Inflation and pay assumptions

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

## Service Charges

84 Service charges such as caretaking, cleaning, CCTV, communal areas etc. will be increased by CPI +1% i.e. 2.7% 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.

85 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

86 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

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

### Service Pressures

88 There are a number of service pressures which the council need to budget for and have been included in the HRA, the most significant of these are:

- **Realignment of Subscriptions - £35k.** The increased activity of both the Regulator of Social Housing (RSH) and the Housing Ombudsman have led to both increasing their statutory subscriptions that landlords must pay. General subscriptions within the landlord function have remained. The RSH increase was covered in the 2024/25 budget round however the Housing Ombudsman increase was not. In addition, professional subscriptions to the Chartered Institute of Housing have also increased as more staff have become qualified members. There is also an increase of £4k for Housemark.
- **Damp, mould, disrepair, decants and the Housing Ombudsman - £160k.** With more homes being identified with damp and mould and in a number of cases, alternative accommodation will need to be found for residents while work is carried out (£80k). There are also an increasing number of disrepair cases attributable not only to damp and mould, but also subsidence issues which are prevalent in many areas of the city (£80k)
- **Oxford Direct Services** - While we have seen the clear benefits of the Localz system in operation, the annual maintenance charge and the cost of text messages also has to be paid for (£38k). An allowance also needs to be made for the potential re-setting of the parks activities on maintaining shrubs in housing areas (£40k one off). The HRA subsidises the treatment of bedbugs by the ODS Pest Control team so that there is no charge to tenants requesting treatment when contacting the Contact Centre. We have seen a rise in bedbug cases, including whole blocks becoming infested and we are proposing a further increase in the funding to deal with the problems (£80k). There has also been an increase in the amount of contamination of recycled waste - residual waste and food waste being dumped in communal blue recycling bins. An extra residual crew must be sent out to collect these contaminated bins. (£50k pa)
- **Overheads and other administrative charges** -There has been significant increases in overheads: Insurance premiums have risen £327k for the year, the demand on legal services has increased leading to a request for dedicated legal staff (£116k), the charge for the contact centre (£496k), and also the annual valuations (£73k)
- **Contingency for Regulatory Compliance and General Repairs & Maintenance - £1,055k.** Under the new regulations, there is an

increased focus on compliance and increased inspections. This line is a contingency for potential increases to existing costs such as Fire Door Inspections, Fire Risk Assessments, Fire Risk Remedial Works, Controlled Entry Maintenance, Fire Alarms & Emergency Lighting (Test & Inspect), Lightening Protection Servicing, Lift Maintenance & Servicing, and Electric Vehicle Chargers Maintenance.

- **Inflation and contract cost increases - £332k.** As in previous years, commercial energy costs continue to increase and a further 10% is expected to be added to the energy costs for Council owned flat blocks and void properties. An increase is also required to cover the increase in EV charges in new build schemes which, at least until there is sufficient demand, will need to be de-energised or maintained with a significant standing charge while being under-used.
- **Increase costs for CCTV connectivity.** The costs of provision of the CCTV circuit lines provided by BT is increasing by £8,000 per year.
- **Cost of New and Replacement Waste Bins.** Last year the Council agreed to charge for missing/replacement waste bins. This also applies to voids and new builds. The cost per bin is £35 with each household having 2 bins. Using an estimate of 700 new builds / voids, and 100 households requiring both bins replacing, this equates to circa £56k per annum.
- **Increase in Furnished Tenancy Take Up.** The number of tenants that qualify for the furnished tenancy scheme has increased. The forecast take-up of the self-funding scheme shows that due to the forecast number of new builds, and an increase in the number of tenants qualifying for the furnished tenancy scheme there will be a pressure on this budget for the next few years which will be offset by an increase in the income generated from the furniture rentals.

### Housing Revenue Account Budget 2025/26 to 2029/30

89 Appendix 4 details the HRA Budget for the period 2025/26 to 2029/30 which is summarised below:

**Table 10 – Housing Revenue Account (HRA) 2025-26 to 2029-30**

	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's	2029/30 £000's
Income	(60,897)	(64,671)	(68,943)	(71,975)	(74,713)
Expenditure	57,144	60,798	61,133	63,709	67,271
<b>Net Operating Expenditure/(income)</b>	<b>(3,753)</b>	<b>(3,873)</b>	<b>(7,810)</b>	<b>(8,266)</b>	<b>(7,442)</b>
Investment income	(34)	(36)	(30)	(27)	(28)
Revenue Contributions	2,590	4,361	9,657	7,576	7,893
<b>(Surplus)/Deficit for the Year</b>	<b>(1,197)</b>	<b>452</b>	<b>1,817</b>	<b>(717)</b>	<b>423</b>

(Surplus)/Deficit b/fwd	(4,752)	(5,949)	(5,497)	(3,680)	(4,397)
<b>(Surplus)/Deficit c/fwd</b>	<b>(5,949)</b>	<b>(5,497)</b>	<b>(3,680)</b>	<b>(4,397)</b>	<b>(3,974)</b>

## Risk Implications

90 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 2.7%.
- Increased arrears due to benefit changes
- 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

- 91 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.
- 92 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.
- 93 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.
- 94 The total budgeted capital spend of £710 million over the five year programme is therefore reduced as follows:

### Table 11 : Capital Programme Optimism Bias

	2025-26	2026-27	2027-28	2028-29	2029-30	Total Proposed Programme
<b>Optimism Bias 40%</b>	£	£	£	£	£	£
<b>General Fund</b>	55,401,856	40,957,667	42,501,453	25,709,040	6,819,887	171,389,903
Slippage from previous year	28,000,000	33,360,742	29,727,364	28,891,527	21,840,227	141,819,860
Slippage in current year at 40%	-33,360,742	-29,727,364	-28,891,527	-21,840,227	-11,464,045	-
<b>Revised Programme</b>	<b>50,041,114</b>	<b>44,591,046</b>	<b>43,337,290</b>	<b>32,760,340</b>	<b>17,196,068</b>	<b>187,925,858</b>
<b>HRA</b>	142,649,029	100,420,582	94,766,885	96,365,767	104,427,668	538,629,932
Slippage from previous year	38,800,000	72,579,611	69,200,077	65,586,785	64,781,021	310,947,495
Slippage in current year at 40%	-72,579,611	-69,200,077	-65,586,785	-64,781,021	-67,683,476	-
	108,869,417	103,800,116	98,380,178	97,171,531	101,525,214	509,746,456
<b>Total revised programme assuming optimism bias of 40%</b>	<b>158,910,531</b>	<b>148,391,162</b>	<b>141,717,468</b>	<b>129,931,871</b>	<b>118,721,282</b>	<b>697,672,313</b>

## General Fund Programme

95 The total programme over the five-year period is estimated at £171 million. Applying optimism bias taking into account slippage from 2024-25 increases the programme to £188m.

96 New ICT Schemes of around £2.2 million are included in the budget as well as an additional £400k in respect of 1-3 George Street. The additional funding will cover the cost of all variations such as piling works, structural roof repairs etc., uplifted fees for programme delays and a 10% contingency to see the works through to Practical Completion.

## Pipeline of capital projects

97 There are a number of capital projects totalling £16.7 million 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 rigour of scrutiny through the Development Board before being submitted for member approval. These schemes include :

- Covered market master plan additional works £1 million.
- Cowley Branch Line – Additional to existing capital scheme to be funded by CIL potentially £5m
- Waterways capital investment to make sure that waterways ownership is safe, following survey work to sluice gates, banks, tow paths, culverts etc - £2m
- Town Hall property works – extension to the town hall works programme - £2m

98 Funding of the Program is by Community Infrastructure Levy and Section 106 £6 million (3%), borrowing £159 million (93%) Government Grants £6 million (4%). All revenue costs have been included in the General Fund revenue budget.

## Housing Revenue Account Capital Program



- 99 The draft HRA Capital Program 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 program over the next five years totaling £538 million before the application of optimism bias.
- 100 The draft HRA Capital Program can, for the most part, be categorized as follows:
- a. Investment in existing housing stock – Planned Maintenance
  - b. Social Housing Acquisition and Development Program – new homes. In total this is shown as £356 million over the 5 year period with around £250 million being delivered by Oxplace and the remainder via direct delivery through the HRA. Specific details of schemes being delivered by Oxplace are shown in the exempt from publication Appendix 10
- 101 A new 5-year investment program plan for our existing housing stock has been developed on the basis of the latest stock condition data (40% of the total housing stock); the new Housing Regulation and Inspection regime; the new Client Management arrangements; Revised Financial Arrangements; and adoption of a transitional approach during the implementation of the new plan.
- 102 The new investment plan consists of the following components, all of which contain further detailed breakdowns of projected costs:
- c. Safety & Compliance Works
  - d. Works to Street Properties
  - e. Works to Blocks & Flats
  - f. Other Priority Spend Areas
  - g. Works to Energy Efficiency Targets
  - h. Capital Projects
- 103 The Social Housing Acquisition and Development Program has not been significantly amended other than the budgets for the schemes have been reprofiled across the years to reflect the latest forecasts. The reprofiling is required as the schemes face many challenges during the development phase which can cause significant delays – planning objections and policy changes, and procurement and contractor issues.
- 104 **Windale & Northbrook House** - £1m capital investment over a two-year period to decant Windale House and Northbrook House, ahead of conversion to Temporary Accommodation (TA) units. This requires a significant capital outlay to cover the statutory Home Loss compensation payable to tenants and the cost of disturbance allowances for removals, connections, disconnections, replacement carpets, curtains etc. and any other incidental expenses that would be incurred by tenants as part of their relocation to a new home. It should be noted that this decant would have occurred anyway as both blocks are coming to end of life, with the decant expedited to bring critical TA units forward.
- 105 The financing of the HRA Capital Programme is from capital receipts £37 million, (7%) arranged borrowing £391 million (73%), revenue £28 million (5%) Major Repairs Reserve £53 million (10%) and Homes England Grants £29 million (5%)

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

106 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**

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

<b>Table 12: Budget Consultation Timetable</b>	
Consultation Budget Report to Cabinet	11th December 2024
Budget Consultation Period	12th December to 31 <sup>st</sup> January 2025
Final Budget Report to Cabinet including outcome of Consultation	5th February 2025
Budget approval and Council Tax Setting Council	13st February 2025

108 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.

109 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**

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

### **Legal Implications**

111 Section 30 of the Local Government Finance Act 1992 requires that a local authority 'must set a balanced budget and council tax before the 11<sup>th</sup> 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.

112 The Local Government Act 2000 in particular Section 9 states that it is the responsibility of the full council, on the recommendation of the Cabinet to approve the budget and related council tax demand.

113 The Local Government Act 2003, section 25 requires the Council's Section 151 Officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations. This will be done at Council in February 2025 when the Budget is approved.

114 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**

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

### **Equalities Impact Assessment**

116 These are shown in Appendix 9 of the report.

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