

To: Cabinet: Date: 5 February 2025
To: Council Date: 13 February 2025

Report of: Head of Financial Services

Title of Report: Medium Term Financial Strategy 2026-27 to 2028-29 and 2025-26 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 2026-27 to 2028-29 and 2025-26 Budget for recommendation to Council
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader and Cabinet Member for Finance and Asset Management
Policy Framework:	The budget is a Budget and Policy Framework document

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

1. Note the approval by Cabinet on 22 January 2025 and subsequently agreed by the Council on 27 January of an increase of 2.7% for 2025/26 (subject to any subsequent cap on increases imposed by central government) in social dwelling rents from 1st April 2025 giving an average weekly increase of £3.51 per week, and a revised weekly average social rent of £133.68 as set out in Appendix 5 based on a HRA budget as set out in Appendix 4, together with the comments in paragraphs 36-39;

Approve the budget in 2024-25 for the acquisition of Barton properties in the amount of **£39,732,791** as referred to in paragraph 42 of this report

3. Approve the 2025-26 General Fund and Housing Revenue Account budgets and the General Fund and Housing Revenue Account Medium Term Financial Strategy as set out in Appendices 1-9, noting:

a) the Council's General Fund Budget Requirement of £30.542 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; and

b) the General Fund and Housing Revenue Account Capital Programme as shown

in Appendix 6;

4. **Agree** the fees and charges shown in Appendix 7;
5. **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 21-23 of the report; and
6. **Note** the changes to council tax charges in respect of second homes premiums to be implemented on 1st April 2025, already approved by Council, as referred to in paragraphs 25-27

Appendices

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 Service Budgets Bids and Savings Proposals 2025-26 to 2028-29
Appendix 4	Housing Revenue Account Budget 2025-26 to 2028-29
Appendix 5	Housing Revenue Account Rent by property type
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	Budget Consultation

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

As was highlighted in our cabinet report on the consultation budget in December, we are setting this budget and Medium Term Financial Strategy at an exceptionally difficult time. Since the publication of the consultation budget, there have been some significant movements, which overall *slightly* improve the City Council's financial position. These include additional payments to help with pressures from homelessness and temporary accommodation and money recouped from manufacturers under the "enhanced producer responsibility" scheme. However, this really only represents a modest improvement, and it is especially unwelcome that we now anticipate having to meet a substantial proportion of the increase in Employer's National Insurance costs.

Nonetheless, our aim in putting together this budget has been to safeguard important services, especially for the most vulnerable, and also seek to deliver high-quality services for local people. Therefore, the additional investment proposed in the consultation budget in such areas as street cleaning and verge cutting is retained in full, as is the major investment in new council housing. There are some important changes proposed, however: we wish to make available additional funding for responsive

removal of graffiti, to grit cycle paths and pavements in cold weather, and to clean bins. We propose some new investment on Blackbird Leys to support affordable recreation there, and are optimistic about winning grant funding. We also propose a funding for a “learner bike park” – a further, important opportunity for young people in Oxford, while we want adults to benefit from new money to replace outdoor gym equipment where this is necessary. With the additional funds received, we would like to propose reversing some reductions in grants to community organisations that would otherwise have been necessary.

The big picture, however, has not changed: this MTFS invests in communities, front-line services, the development of new homes, and addressing the climate challenge. It is able to do so as a result of payments and dividends from the council’s wholly-owned companies, ODS and OxPlace, as well as returns from property that the council rents out. We have pushed ourselves hard to operate more efficiently, but also safeguard services upon which local people, particularly the most vulnerable, rely. We are grateful to everyone who responded to our budget consultation, as well as the staff at our City Council, ODS and other companies who work tirelessly on behalf of the residents of our city.

Introduction

1. This report reflects the outcome of the consultation on the draft budget that was agreed by the Cabinet on 11th December 2024 (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 12th December 2024 and ended on 31 January 2025. 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 2025-26

5. On the 18th December 2024 the Government announced the provision local government finance statement outlining its proposals for the 2025-26 Local Government Finance Settlement. The statement is for one year only and is based on the 2024 Autumn Budget and Spending Review amounts and the Policy Statement issued on 28th November. Subsequently, on 18th December 2024 the Government launched its formal consultation on the provisional finance settlement for 2025-26. The consultation closed on 15th January and the final Local

Government Finance Settlement for 2025-26 will be published in early 2025, 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, recovery grant and New Homes Bonus. More detail is given in paragraph 11 below.
7. This is the 7th consecutive 1 year settlement with no forward horizon although the Policy Statement issued in November outlined the intention of the Government to progress with funding reforms across local government with a phased implementation beginning with the first year of the multi-year settlements in 2026-27. It is a suggestion that, no new resources or new initiatives with some grants based on outdated formula. The New Homes bonus continues for one more year but this will be the final year in its current format. There is a consultation paper on Local authority funding reform objectives and principles.
8. The key points included in the provisional local government finance settlement for 2025-26 are :

a. **Local Authority Funding Reform**

The government's principle is to develop a new distribution methodology based on an updated assessment of need using relative needs indicators and resources to allocate funding to local authorities, measuring demand for services and adjusting for the ability to raise council tax locally.

Other key principles include.

- Simplicity
- Transparency
- Dynamism
- Sustainability
- Robustness
- Stability
- Accountability

There will be a resetting of the business rates baselines in 2026-27 although there will be transitional arrangements to take into account the impact of the reform.

The Government is exploring proposal on whether responsibility for setting levels from some statutory fees and charges should be devolved to local government in the longer term.

- b. **Council Tax** -The council tax referendum limit as previously announced is 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept. District councils will be allowed to apply the higher of the referendum limit or £5.

c. **Business Rates Retention** –

- **The business rates multiplier** has been frozen for another year at 49.9p per £ of gross rateable value for small businesses for which local authorities will be compensated for and there will be an increase in the standard rate multiplier of 1.7% (from 54.6p to 55.5p).

- **Inflation** - For 2025-26 there has been a 1.7% inflation increase to the business rates retention lines
- d. **New Homes Bonus (NHB)**- The NHB scheme has been extended for one further year 2025-26. There are no legacy payments in respect of previous years. The threshold of tax base increase below which no NHB will be paid has been maintained at 0.4%. The Council's allocation is £31k.
 - e. **Services Grant** – This grant will be discontinued.
 - f. **Revenue support grant** – The revenue support grant will increase in line with the Consumer Prices Index and the Council's allocation is £256k.
 - g. **Recovery Grant** – a new grant of £600m targeted at places with greater need and demand for services measured by the authorities Index of Multiple Deprivation (IMD) relative to the size of the local authority's council taxbase and therefore its ability to raise income. Oxford receive £391k.
 - h. **Funding floor grant** –Total around £121million but is aimed at ensuring that local authorities get a nil reduction in core spending power after the assumed council tax rise. Oxford receive £483k of this grant.
 - i. **National Insurance Contributions Compensation** – This grant of £515m will be distributed to local authorities in 2025-26 as part of the final local government finance settlement to compensate them for the impact of changes to employer National Insurance Contributions. The cost to the Council is estimated at £800 per annum and ODS £500k per annum and the estimated amount of compensation is £250k.
 - j. The Government also announced additional funding for local authorities in specific grant allocations including: This package includes :
 - £880 million for social care authorities, aimed at children's social care and distributed through the social care grant;
 - Childrens social care prevention grant - £250m
 - Domestic Abuse Safe Accommodation Grant - £160 million

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

9. Core Spending Power (CSP) 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- assumed council tax income based on referendum principle increases
 - c. New Homes Bonus and
 - d. Specific Grants excluding homelessness and extended producer responsibly grant.
10. The Government stated that that Core Spending Power for local authorities in 2025-26 would increase by an average of 6.0% across England over that of 2024-25. 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. The

Government also stated that no authority would receive less than the core spending power they received in 2024-25 after taking into account the assumed rise for council tax income.

11. The Core Spending Power for Oxford City Council (and most of the Districts Councils in England) has increased by nil % over 2024-25 as shown in the following table (following the announcement on 18th December 2024):

Table 1: Finance Settlement 2025-26

FINANCE SETTLEMENT 2025-26									
Core Spending Power									
	National Level (England)				Oxford City Council				
	2024-25 £m	2025-26 £m	Change £m	Change %	2024-25 £m	2025-26 £m	Change £m	Change %	
Settlement funding assessment (business rates plus RSG)	16,563	16,841	278	1.7	7,060	7,199	0,139	2.0	
Business rates baseline funding			0	0.0	6,849	6,943	0,094	1.4	
Revenue Support Grant			0	0.0	0,211	0,256	0,045	21.3	
Assumed council tax	36,154	38,312	2,158	6.0	16,014	16,525	0,511	3.2	
Grants	12,266	13,731	1,465	11.9	2,828	2,184	-0,644	-22.8	
Recovery grant	0	600	600		0,000	0,391	0,391		
Compensation for business rates multiplier freeze	2,581	2,696	115	4.4	1,236	1,279	0,043	3.5	
Lower tier services grant	0	0	0	0.0	0,000	0,000	0,000	0.0	
New Homes Bonus	291	290	-1	-0.3	0,352	0,031	-0,321	-91.2	
Services Grant	87	0	-87	-100.0	0,040	0,000	-0,040	-100.0	
Funding Guarantee grant	269	0	-269	-100.0	1,200	0,000	-1,200	-100.0	
Funding floor	0	122	122		0,000	0,483	0,483		
Other Tier 1 authority grants	9,038	10,024	986	10.9	0,000	0,000	0,000	0	
Core spending power	64,982	68,884	3,902	6.0	25,902	25,908	0,006	0.0	

- 12 Overall specific grants reduced by £644k compared to the previous year and the Council received a 'floor grant' of £483k replacing the funding guarantee grant issued in previous years, to ensure that it received no less than the previous years CSP after the assumed council tax rise.
- 13 The general direction of CSP and the impact on the council's finances had largely been anticipated in the consultation budget although there is some overall uplift albeit for one year in 2025-26 of around £384k of which further details are given below.

Extended Producer Responsibility

- 14 In November 2024 the Government provided estimated grant payments to local authorities for 2025-26 to cover the cost of meeting our Producer Responsibilities under the Packaging and Waste Regulations 2024. The authority's allocation was £1.8 million. Under the regulations a scheme administrator will be formally appointed by the Government to assess the effectiveness of a local authority's recycling processes. It is still unclear as to what the grant will cover and if it will be ongoing but undoubtedly it will need to cover any changes in operations that the authority is required to introduce to drive up recycling rates. Although some of this grant can be taken to cover existing recycling costs (circa £500k) the balance for the time being should be ringfenced into an earmarked reserve pending further clarification of the authorities' requirements as they develop.

Homelessness

- 15 The Government had previously announced in their Autumn Statement that funding for homelessness service would increase by £233 million per annum bringing total spending on homelessness and rough sleeping to nearly £1 billion in 2025-26. The

Councils allocation of this grant is £4.761 million an increase of £0.6 million per annum broken down as follows:

- **Homelessness Prevention Grant (HPG)** - £2.1 million (up from £1.5 million in 2024-25) announced for one year. The Homelessness Prevention Grant is the main grant from Central Government that helps fund the Council's statutory function to prevent and relieve homelessness, which includes the provision of temporary accommodation. The Council plans to continue to use the grant to cover the costs of several key items that support the prevention and relief of homelessness, including additional staffing, Rent Guarantee Scheme, support for victims of domestic abuse and contributions towards the work of the Homelessness Alliance. The additional uplift will be used to fund a range of new services to help meet rising homelessness demand and seek to bring down the cost of temporary accommodation. This includes funding for an expansion of our Rent Guarantee Scheme, opening it to single adults, in order to bring down hotel usage. It will also fund larger staffing and maintenance budgets for our TA stock as we expand the number of units we manage to meet demand. Money has also been allocated to meet new demands on the Council coming in 25/26 from Central Government, including changes to Social Housing Allocations and the Renters Rights Bill.
- **Rough Sleeping Prevention and Recovery Grant (RSPRG)** the main rough sleeping grant replacing Rough Sleeping Initiative (RSI) and Accommodation for Ex Offenders (AfEO) grants of £1.8 million, the same as 2024-25 announced for one year. In addition to **Rough Sleeping Accommodation Programme (RSAP)** an accommodation funding stream of £803k, the same as last year. Grant criteria is expected to be similar to before, so the majority of the money will be used to extend existing successful projects, such as prevention and work to move people of the street within the Oxfordshire Homelessness Alliance, and other accommodation schemes including Housing First. Some less successful projects funded in previous years will be changed, reduced or ended, and where this happens grant funding freed up will be reinvested in other schemes aligned to the Councils Housing, Homelessness and Rough Sleeping Strategy, such as scheme to increase move on from supported accommodation and to expand Housing-Led provision.

16 Of the HPG funding 49% must be spent on prevention, relief, and staffing activity, not on the costs of temporary accommodation. Within the Council's budget increased costs of temporary accommodation have been included of around £1.8 million across the 4 years of the MTFP although an element of this is to cover staffing resources to tackle the issue. Of the additional amount of £600k, it is considered that around £200k can be used to cover staffing with the balance used to cover new duties recently announced covering for example veterans and those with no local connection as well as containing other rising pressures around increased rents and costs of private rented sector housing costs.

Inflation/ Interest Rates

17. The Consumer Prices Index (CPI) in November was 2.6% up from the 2.3% in the year to the end of October 2024. Current forecasts would indicate that rates will continue to fall back in 2024, closer to the Governments forecast level of 2% although this is unlikely to be reached until December 2026.

18. In December 2024 the Bank of England maintained base rates at 4.75%. Latest forecasts predict base rates to steadily fall before falling back slowly to 3.50% - 3.75% by 2026. There would continue to 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

19. 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.
20. 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 widely expected business rates reset and funding reforms have now been confirmed will be implemented with effect from 1st April 2026, together with transitional arrangements to cover large variations in finances that may arise; we have made provision in our MTFS to cover likely impacts. A summary of the estimated 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				
	2025/26	2026/27	2027/28	2028/29
	£000's	Est	Est	Est
		£000's	£000's	£000's
Consultation Budget	12,810	12,680	12,702	12,419
After Finance Settlement	12,779	12,645	12,667	12,383
(Decrease)/ Increase	(31)	(35)	(35)	(36)
Tariff	32,673	33,326	33,993	34,673
Safety net threshold (92.5% baseline)	6,442	6,550	6,681	6,815

Business Rates Distribution Group

21. The Chief Finance Officers in Oxfordshire have agreed the formation of the West Oxfordshire Business Rates Pool for 2025-26 (the Pool) to be formed by Oxfordshire County Council and West Oxfordshire and Cherwell District Councils as in previous years.
22. 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 (the level below business rates income cannot fall).

23. 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 2025-26 are known for all districts within Oxfordshire.

Council Tax

24. The estimate of the tax base for 2025-26 presented to the Audit and Governance Committee on 20th January 2025 estimates a tax base of 47,637 Band D equivalent properties, an increase of 3.03% on last years figure. The figure used in the Consultation Budget was estimated at the time at 46,697.

25. Members may recall that a number of local authorities including the Council made resolutions as part of their budget setting for the 2023-24 budget in 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.

26. The Levelling Up and Regeneration Act (LURA) was passed in October 2023. Information received from DLUHC subsequently advised that it was 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 could not commence until 1-4-2025.

27. The resultant increase in council tax income arising from the above changes between the Consultation Budget and the February 2025 budget is estimated at approximately £70- £80k per annum.

Other Key Assumptions

28. Key assumptions included within the Consultation Budget Proposals that remain unchanged include :

- **Council Tax** – The recently announced referendum principles are in line with previous assumptions and the recommendation of a council tax increase of 2.99% for 2025-26 followed by increases of 1.99% thereafter.
- **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**- 2025-26 is the second year of the 2 year pay deal agreed with the staff and unions. Pay inflation for 2025-26 was agreed at 3% and inflationary increases have been assumed for future years of the MTFP.

Changes since the Consultation Budget

29. A number of other proposed changes to the Consultation Budget that was agreed by the Cabinet on 11th December 2024 are set out below:

- **Council tax income - £335k per annum** – see paragraph 24-27 above
- **Customer services savings double counted - £33k per annum.** During consolidation of the savings into Appendix £33k was double counted in error
- **Funding Guarantee Grant – £500k** this has been replaced by the funding floor grant of £483k.
- **Recovery Grant – £391k** -A one off grant based on areas of deprivation - see para 8 (g) above.
- **National Insurance – net increase of £550k per annum.** As announced In the Chancellors Autumn Statement employers national insurance was due to increase on an employees earnings above £5,000 by 1.2% to a rate of 15% with effect from 1-4-2025. At the time it was said that local authorities would be compensated for this increase although at the time of drafting this report the Council are still waiting to know what compensation it will be given to cover increases. The assumption in the consultation budget was that this would be fully covered although this is no longer though to be the case given the announcement of £515million of compensation grant announced by the government in the Provisional finance settlement for local government. An estimate of the amount to be received by the Council is £250k.
- **Extended Producer Responsibility Grant** – See paragraph 14 above
- **Housing Preventive Grant for homelessness staffing costs** – see paragraph 16 above
- **Devolution costs** – On 16th December 2024 the Government issued a White Paper on local government devolution, which introduced proposals to create Strategic and combined authorities in areas where they are not currently in place. The Council will need to submit its proposals on this in the near future and a budget of £100k is prudent to set aside to facilitate the work on this, for example to cover the back-filling of work done by officers on this and ensure that day-to-day services are not impacted.
- **Supported accommodation pilot** – The council is currently incurring significant cost in respect of temporary accommodation costs and also loss of housing benefit subsidy in respect of supported accommodation where the

support is provided by a provider who does not have registered housing provider status. As a potential invest to save initiative housing colleagues would use £100k per annum for the next 2 years to switch 19 'beds' currently in hotel accommodation and managed under supported housing to Housing First and Housing led initiatives. Over time there would be a reduction of the use of hotel accommodation saving money in hotel costs and by eventual decommissioning of these beds a move away from the unsubsidised supported accommodation costs. Whilst this is aimed at bringing savings to the MTFP it is prudent not to include these at this time, pending the roll out of this pilot.

- **Events staff** - £50k per annum. It was previously proposed to remove a post from 2026/2027 in relation to International Links, on the basis it was no longer affordable. However, following review this post needs to be reinserted to ensure that challenging income targets on events can be met (this is an area the postholder has been working on and in which they have expertise).
- **Community centres self-funding phasing** – A change from the consultation budget saving of £56k and then £112k saving to £28k, £56k and then £85k, so that changes to community centre income targets will be brought in more slowly.
- **Voluntary sector grants** - £44k – a reversal of this saving from 1-4-2026 to 1-4-2028. This would delay reductions to advice services until 2028, by which point it is hoped that the advice sector may have been able to reduce its overheads.
- **Big Ideas Grants** - £9k – a reversal of this saving to ensure grants remain available.
- **Ward Member budgets** - £48k – A reduction of the £72k saving in ward member budgets to £24k per annum. This would give ward members an annual £1,000 budget to support local groups and project.
- **Graffiti removal** - £310k over the four-year period. This would provide an officer and an operative to remove graffiti where it is reported. Currently, offensive graffiti is removed swiftly but there is less capacity to remove other unsightly graffiti.
- **Cleaning bins outside the city centre** - £2k per annum to ensure that this service, which is currently available in the city centre, is available across Oxford.
- **Gritting to key bike paths and pavement** - £157k over the four-year period: this will provide resource to improve this service, and it is hoped the County Council will also make a contribution. Cyclist and pedestrians are vulnerable road users, particularly in cold weather, and additional gritting would be of great assistance.
- **Mogridge Drive bridge over railway business case:** One-off funding to work up a business case so that, if infrastructure funding became available, a bridge improving access to this area of Littlemore could be provided.
- **Learner bike park design and delivery** – This would provide a learner bike park. Some work to identify sites and potential external funding has already been carried out.

- **Blackbird Leys Replacement goals** – Football goals at Blackbird Leys park need replacing, and this proposal has been made in partnership with the local youth football club.
- **Blackbird Leys Park free leisure provision** - £170k over next two years: this includes funding for feasibility work, a contribution towards delivery, for new free leisure provision (but also anticipates some external funding). This would involve community involvement in planning provision in 2025/26; opportunities could include a splash area or skateboard provision.
- **Outdoor gym replacement** – A one-off sum of £100k to replace out of date outdoor gym equipment, to ensure it is safe and available for use.

Fees and Charges

30. There is one change to the fees and charges in respect of planning fees which is included in Appendix 7. The government has just laid these changes before parliament and assuming it passes (which it invariably does), these will be in place for 1st April 2025. The main fee increase is for Householder applications and the financial implications of these expected charges has already included in the MTFP.

Summary of Changes to Medium Term Financial Strategy (MTFS)

31. 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 2024, taking account of the changes highlighted above is shown below:

Table 3 Summary of changes to Consultation Budget

	2025-26 £000'S	2026-27 £000'S	2027-28 £000'S	2028-29 £000'S
Consultation Budget Net Budget Requirement	27,835	31,804	32,827	33,896
Changes since the consultation budget				
Error on Appendix 3 - customer services savings double count	55	55	55	55
Funding gurantee grant deletion	500	500	500	500
Recovery grant	-391			
National insurance increase	800	800	800	800
National insurance assumed grant	-250	-250	-250	-250
Extended producer responsibility grant	-1,800			
Additional Housing Preventive Grant for homelessness staffing costs	-200	-200	-200	-200
Devolution costs	100			
Supported accomodation management costs pilot	100	100		
Increase events staffing		50	50	50
Phase in community centre income increase - previously £56k 2025-26 then £112k	28	56	28	0
Reverse voluntary sector grant saving until year 4		44	44	
Reverse Big Ideas grants saving	9	9	9	9
Reduce reduction of ward member budgets current reducing form £72k to zero. Revised proposal leaves £24k	48	48	48	48
Graffiti removal	100	70	70	70
Clean bins outside city centres	2	2	2	2
Gritting key bike paths and pavements	58	33	33	33
Mogridge Drive bridge over railway business case	50	0	0	0
Learner bike park feasibility, design, fundraising	80			
Blackbird Leys Park Replacement goals	15			
Balackbird Leys Park free leisure provision assumes grant funding	20	150		
Outdoor gym replacement	100			
Sub total changes since the consultation budget	(576)	1,467	1,189	1,117
Additional Budget transfer to/(from) reserves	1,720	(2,647)	(2,842)	(3,580)
Additional Budget transfer to/(from) reserves from amendments	1,300			
Transfer from/(to) working balance				
Net Budget Requirement	30,279	30,624	31,174	31,433
Financed By :				
Council Tax-	(16,730)	(17,241)	(17,768)	(18,311)
Retained Business Rates	(12,779)	(12,644)	(12,667)	(12,383)
New Homes Bonus	(31)	0	0	0
Funding floor grant	(483)	(483)	(483)	(483)
Revenue Support Grant	(256)	(256)	(256)	(256)
Total	(30,279)	(30,624)	(31,174)	(31,433)
(surplus)/deficit	0	0	0	0

32. Over the 4 year period the draw on reserves is £7.3 million which is slightly more than the consultation budget but still leaves an adequate amount of reserves.

Budget Consultation

33. The consultation concentrated on the Council's proposed budget a number of key areas which are shown below. There were 180 responses received at the time of publishing this report. 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**
 - 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, 75% of consultee responses either agreeing or strongly agreeing.

- 79% 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.
- There was more support for increasing council tax by the maximum permissible rate of 2.99%, 54% in support compared to respondents that did not support at 29%.
- 40% of respondents agreed to increasing garden waste charges and car park charges by around 6-7% with a similar percentage disagreeing.
- 26% agreed with reducing grants paid to the voluntary sector with 49% disagreeing. The administration proposes amending these plans.
- 35% of respondents agreed to ceasing the payment of ward member grants whilst 40% respondents disagreed. The administration proposes amending these plans.
- 18% of respondents agreed with the scaling back of work on empty homes whilst 60% disagreed. This is understandable but the officer doing this work has already been deployed and some efforts on empty homes can still be made.
- 49% agreed or strongly agreed to the council reviewing its council tax support while 18% were against.
- 65% of respondents agreed to reduce funding on the Christmas lights with 19% disagreeing
- 44% of respondents agreed with the proposal to use balances and reserves as one off support.
- **Additional Spend**
 - i. 49% agreed with providing additional litter picking from Friday to Monday in the summer months
 - ii. 35% agreed with reinstating the number of cuts to grassed areas in parks from 5 to 8 per year whilst 42% disagreed. The administration has noted this view but it does not align with other community feedback, notably from the residents' survey, and so it proposes to continue with the reinstatement.
 - iii. 60% agreed with providing additional resources for street cleaning throughout Summer, Christmas and weekends in the city centre and busiest suburban centres
 - iv. 41% agreed with providing additional support to businesses in our localities
 - v. 68% agreed with the councils spending money to review our economic strategy
- **Alternative Budget Approach**
 - i. 34% agreed with continuing to provide service but reducing there scale or frequency with a similar amount disagreeing

- ii. 41% agreed to stop delivery of less important services with 29% disagreeing
 - iii. Only 22% agreed to freezing council tax and making service cuts with 61% disagreeing
- **Service Priorities**
 - i. Highest prioritisation, a 4 or 5, (67%) was given by respondents to maintaining our parks and open spaces, followed by homelessness (63%) and affordable housing (62%). The lowest prioritisation (1 or 2) was given to tackling climate change (39%) promoting self service (33%) and providing grants to the voluntary sector (32%).
- **Capital**
 - i. There was highest support for the provision of affordable housing with 70% either agreeing or disagreeing, followed by investment in our council housing stock (58%) and providing energy efficiency investment into our council housing stock (54%). The lowest support with 17% agreeing and 49% disagreeing was in respect of regeneration of the Odeon in the city centre. However, if this scheme was discontinued it would leave a major gap in the general fund revenue budget and lead to other priorities needing to be cut.
- **Council Housing**
 - i. Highest prioritisation (52%) was given by respondents to improving the look and feel of the estate and estate regeneration (48%) with building new homes (60%) and improving the quality of existing homes (50%) receiving the lowest prioritisation scores of 1 or a 2 although it was noted that only 4 of the respondents were council housing tenants

General Comments

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

- I am firmly of the view that everyone should pay at least something towards their council tax
- Concern about cutting support to voluntary sector
- Need to review empty properties
- Need to assess the efficiency of voluntary sector providers
- Pleased with youth services in BBL but don't forget other parts of the city
- Litter, excess waste and fly tipping key problems around city
- Grass cutting a nice to have. Support for no mo May and June
- Disagree with reduction in services if we want a decent city we should shoulder financial burden
- Building of council and shared ownership homes is particularly impressive
- Parks are vital for health and well being.
- Should be an ability to order garden waste bags on line

- We desperately need more social housing
- Why are you always focusing on BBL and Barton Housing estates
- Agree with generation of profits from ODS and OXplace by investing in those companies for investing in services.
- Really hard decisions for our councillors. Thanks to them and the officers for your work

Risk Implications

35. 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) Failure or uncertainty of major partners to deliver for instance in Leisure is possible
- c) The Council's wholly owned companies may not perform as well as expected leading to reduced income to the Council
- d) Business Rates income may be lower than forecast
- e) Variations in interest rates or non-performance of property funds or multi asset vehicles may affect returns to council
- f) Slippage in the capital programme could adversely affect revenue savings and additional income in the MTFS
- g) 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

36. The Council published its Consultation Budget on 11th December 2024 including the Housing Revenue Account (HRA) Budget. On 22nd January 2025 the Cabinet approved the rent increase for 2025-26 in line with the proposed Consultation Budget for the Housing Revenue Account as detailed in Appendices 4 and 5 to this report as follows :

- Recommend Council to approve an increase of 2.7% for 2025/26 (subject to any subsequent cap on increases imposed by central government) in social dwelling rents from 1st April 2025 giving an average weekly increase of £3.51 per week, and a revised weekly average social rent of £133.68 as set out in the Financial Implications section of this report.
- Recommend Council to approve an increase to rents for shared ownership dwellings as outlined in paragraph 21 of the Financial Implications.
- Recommend Council to approve an increase to service charges by 2.7% (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 4.1%, equating to an increase of £0.78 per week for a

standard garage within a curtilage with a revised charge of £20.00 per week

37. There are no changes to the Consultation Budget for the Housing Revenue Account as published at Cabinet on 11th December 2024

38. The Summary HRA Budget is summarised below:

Table 4: Housing Revenue Account

	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
Net Operating Expenditure/(income)	(3,753)	(3,873)	(7,810)	(8,266)	(7,442)
Investment income	(34)	(36)	(30)	(27)	(28)
Revenue Contributions	2,590	4,361	9,657	7,576	7,893
(Surplus)/Deficit for the Year	(1,197)	452	1,817	(717)	423
(Surplus)/Deficit b/fwd	(4,752)	(5,949)	(5,497)	(3,680)	(4,397)
(Surplus)/Deficit c/fwd	(5,949)	(5,497)	(3,680)	(4,397)	(3,974)

Key Assumptions

39. Key assumptions included in the HRA Budget include :

- **Rent increases** – The Governments consultation on rent increases from 1-4-2026 closed on 23-12-2024 but there has been no confirmation yet of the governments intended 5 year rent policy which would allow rents to increase by up to CPI +1% or the opinion of local authorities on these increases on a rolling 5 and 10 year programme.
- **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 £200 million to cover all capital commitments over the next 4 year period.
- **Interest rates** - As at 31-3-2025 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%.
- **Working Balance** - HRA working balance not to fall below £3.5 million
- **Disposals** - 20 dwellings per year is assumed from 2025-26 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:

- Rent increases do not continue at CPI+1% over the next 5 year period
- 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 economic climate
- 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 around £802 million of spend over the five year period 2025/26 to 2029-30, details of which are shown in Appendix 6.

42 Since the consultation budget there have been a number of changes which are :

	2025-26 £000'S	2026-27 £000'S	2027-28 £000'S	2028-29 £000'S	2029-30 £000'S
CAPITAL PROGRAM AS PER CABINET DECEMBER 2024 - General Fund and HRA	191,524	141,310	142,265	118,645	208,157
Changes since the consultation budget					
Northfield Hostel	4,000				
Blackbird Leys	1,142	312	1,703		
Local Authority Housing Fund 3	262				
Housing Company Loans	(18,414)	4,480	(7,113)	39,397	13,799
Cowley Branch Line				2,500	
Covered Market				1,086	
1-3 George Street	300				
Sub total of changes since consultation budget	(12,710)	4,792	(5,410)	42,983	13,799
REVISED CAPITAL PROGRAM	178,814	146,102	136,855	161,628	221,956

- **Northfield Hostel - £4 million** – This amount was omitted in error from the development appraisals run for the scheme
- **Blackbird Leys - £3.157 m** this amount is part of the scheme costs for the regeneration of Blackbird Leys already approved but was omitted from the consultation budget in error
- **Local Authority Housing Fund 3 – £262k** - This scheme is for purchase of housing for Ukrainian and Afghan refugee which is part funded from Government Grant
- **Housing Company Loans – net increase of £32 million** Housing Company loans have been reprofiled to take account of slippages within the Housing Companies development programme. These amendments take into account the revised requirements for borrowing by the company from the council the revenue impact of which is already included in the budget.

- **Cowley Branch Line – £2.5 million** – Elsewhere on the Cabinet agenda is a report with details on the Cowley Branch Line. The Council proposes allocating £2.5m of future CIL funding towards the £20m local contribution for the CBL project. Using CIL funding is seen as appropriate as part of the local funding mix because:
 - It is entirely consistent with the purpose of CIL i.e. to deliver gap funding for infrastructure.
 - The CBL is a major project on the related Infrastructure Delivery Plan (IDP), which serves to demonstrate our infrastructure needs and helps make the case for the CIL levy.
 - The CBL will be a catalyst for additional development in the wider area, both in terms of increasing density on existing sites, and in time, making new sites appropriate for sustainable development. As such, it will bring in additional CIL over the medium to long term.

This amount will only be used if at least £17.5m is secured from other local parties and the Government commits to the project's delivery.

Relying solely on private sector and County Council contributions for the £20m local funding is not recommended. The private sector has already taken financial risks for the project's Full Business Case (FBC) stage and is unwilling to contribute further without local authority backing. The County Council is exploring ways to contribute to the funding, but without the City Council's commitment, the CBL project risks stalling. Any delay would cause the loss of positive momentum, including stakeholder and government interest, as well as significant developer contributions.

The FBC stage of the CBL project total cost was £4.56m, funded through capital contributions and forward-funded CIL. However, the £3.5m forward-funded CIL has not yet been fully collected, with a remaining shortfall of £1.4m to be raised from future developments. The total projected CIL requirement from 2025 onwards is £3.9m, including both the outstanding FBC costs and £2.5m City's share of the £20m local funding. The Council expects to meet this target from developments within 1.5km of the CBL stations, with or without a new CIL charging schedule. Although there are risks, such as potential delays, the CBL is expected to boost development in the area and generate additional CIL revenue compared to a scenario without the CBL.

- **Covered Market £1.086 million.** Elsewhere on the Cabinet agenda is a report on the covered market masterplan funding and delivery. This additional amount of budget is in addition to the £6.8 million which is already included in the capital programme that was approved in 2023. The Covered Market masterplan approved by Cabinet in February 2023 recommended major improvements to ensure the market remained relevant and vibrant and was seen as essential to avoid a managed decline. Following approval of the masterplan the Council appointed a full consultant team to develop the proposals. Their work has also incorporated feedback from the review of the essential services replacement work by the property team identified in the additional report. The work has covered both design, cost, management and delivery of the proposals. As a result of this review a number of key enhancements to the original proposals are recommended. These include; the need for additional internal resourcing to manage the works which are now assumed to extend to 2028, upgrades to the existing sub-station to support the opportunity for more food retail facing a new

open court as well as supporting the transition away from gas, a revised new electrical distribution system to future-proof the market for improved sustainability and improved flexibility in servicing traders and to minimise future disruption, replacement lighting throughout to include essential safety improvements and also greatly improve the appearance of the whole market and support new event opportunities, removal of redundant services and accumulated clutter to reduce on-going maintenance and cleaning and additional high level fabric repairs and decorative changes.

The Project Board agreed that these changes would support the transformative nature of the original masterplan and in doing so further support traders and help reduce future costs and improve sustainability. The team has therefore developed an outline business case (OBC) looking at the impact of the enhancements. An additional £1.086m capital budget has been identified and the OBC including financial case has shown that proposals are viable and show a positive return on investment. The budget request is to enable this additional work to be delivered.

- **1-3 George Street - £300,000.** There are ongoing discussions with ODS on the George Street contract which may lead to additional amount of capital spend albeit offset by liquidated damages.
- **Barton Properties - £39,732,791.** To improve the financial position within OCH(I)L, it was agreed that the HRA would acquire 168 properties at Barton Park from OCH(i)L and, moving forward, 184 properties directly from the developer as they were delivered. A cabinet report was approved on the 16th October 2024 but due to unforeseen circumstances the report to full council in November 2024 was omitted. Due to the urgency of the decision to acquire, a Single Member Decision was made on the 28th November 2024 for the acquisition of the properties in the 2024/25 financial year utilising the allocated HRA Capital budget for 'Purchases of Properties from OX Place', until such time as full Council may allocate a special budget for the purpose of acquiring the Social Rent homes at Barton Park into the HRA.

The approved budget envelope for 'Purchases of Properties from OX Place' is currently £358m for an existing programme of planned schemes. The acquisition costs for the Barton Park scheme for 2024/25 is estimated to be £39,732,981 and the budget envelope needs to be extended accordingly to ensure the existing planned acquisition programme is not compromised.

- 43 The resultant capital programme is shown below with the 45% optimum bias applied. The total programme over the five year period is estimated at £845 million. Applying 45% optimism bias taking into account slippage from 2024-25 reduces the programme to £765 million.

	2025-26	2026-27	2027-28	2028-29	2029-30	Total Proposed Programme
Optimism Bias 45%	£	£	£	£	£	£
General Fund	37,687,856	45,437,807	35,388,543	68,692,600	20,619,827	207,826,633
Slippage from previous year	31,500,000	31,134,535	34,457,554	31,430,744	45,055,505	173,578,337
Slippage in current year at 45%	-31,134,535	-34,457,854	-31,430,744	-45,065,505	-29,553,899	-171,632,237
Revised Programme	38,053,321	42,114,788	38,415,353	55,067,839	36,121,432	209,772,734
HRA	141,126,133	100,664,421	101,467,268	92,935,810	201,337,588	637,531,221
Slippage from previous year	43,650,000	83,149,260	82,716,156	82,882,541	79,118,258	371,516,215
Slippage in current year at 45%	-83,149,260	-82,716,156	-82,882,541	-79,118,258	-126,205,131	-454,071,346
	101,626,873	101,097,525	101,300,883	96,700,093	154,250,716	554,976,090
Total revised programme assuming optimism bias of 45%	139,680,194	143,212,313	139,716,237	151,767,932	190,372,148	764,748,823

44. 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

45. 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:

	2025/26	2026/27	2027/28	2028/29
	£000's	£000's	£000's	£000's
Loans outstanding at year end to Company	7,270	9,290	14,134	62,616
Revenue Returns to Council				
Gross Interest	653	383	1,423	3,406
Dividends	4,889	1,500	1,500	0
Total	5,542	1,883	2,923	3,406

46. In December 2024 OCHL delivered the first dividend of £2 million to the Council and the company intend to approve a dividend for 2023-24 in the amount of £3 million.

Oxford West End Development (OXWED)

47. 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.
48. The Council has invested money on a 50/50 basis with its partner Nuffield College at a loan investment rate of 6.5% with loans outstanding at 31-12-2024 of £13.54 million loan and accrued interest of approximately £7.26 million.
49. In March 2021 OXWED's shareholders resolved to proceed with the preparation of a master plan and the submission of a planning application. Oxwed has now submitted this application, which is awaiting determination.
50. 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.
51. Elsewhere in the Cabinet agenda is a report to approve the extension of the loan facility to Oxwed for a period of 5 year at a base rate plus 4%, reducing to base rate plus 2% once certain conditions have been met around the unconditional sale of the land.

Oxford Direct Services Limited (ODSL)

52. There are no changes to the forecast financial returns from ODS to the Council over the 4-year period of the MTFS since the Consultation Budget which are in the region of £2 – 2.4 million per annum. Revenue from ODS is forecast as follows :

Table 7: Oxford Direct Services Revenue – 2023-24 to 2027-28

REVISED- SHAREHOLDERS 7TH DECEMBER 2023

	Updated ODS Business Plan -Dec 2023				
	2023-24	2024-25	2025-26	2026-27	2027-28
	£000's	£000's	£000's	£000's	£000's
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	2,671	2,723	3,693	4,439	5,107

53. In January 2025 the Council was paid an amount of £1.9 million by ODSL in dividend.

Financial Implications

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

Legal Implications

- 55. 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.
- 56. The Local Government Act 2000 states that it is the responsibility of the full Council, on the recommendation of the executive to approve the budget and related council Tax demand.
- 57. The Local Government Act 2003, section 25 requires the Council’s Section 151 Officer to report to the Council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations. This will be done at the meeting of the Council in February 2024 when the Budget is approved.
- 58. Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.

Risk Implications

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

Equalities Impact Assessment

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

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Background Papers:
None

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