

To: City Executive Board

Date: 7th December 2011

Item No:

Report of: Corporate Director

Title of Report: Medium Term Financial Strategy 2012-13 to 2015-16 and 2012-13 Budget for Consultation: A Fair Future for Oxford

Summary and Recommendations

Purpose of report: To present the Council's Medium Term Financial Strategy for 2012/13 to 2015-16 and the 2012-13 Budget for consultation.

Key decision Yes

Executive lead member: Councillor Ed Turner

Policy Framework: The Council's Corporate Plan

Recommendation(s): The City Executive Board are recommended to:

- a) Agree the Council's Medium Term Financial Strategy for 2012-13 to 2015-16 and the 2012-13 General Fund, Housing Revenue Account and Capital budgets for consultation as set out in Appendices 1-7 attached.
- b) To instruct officers to proceed with delivering the efficiency savings as set out in Appendix 3 in line with prudent financial management.

INTRODUCTION

- 1 This report sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the next four years (2012/13 to 2015/16) and gives interested parties the opportunity to comment and be consulted on the Council's budget proposals for the next financial year (2012/13). The report covers all aspects of the Council's spend: General Fund Revenue expenditure funded by the council tax payer, Housing Revenue Account expenditure, funded by council tenants and the Council's Capital Programme funded by Capital Receipts, revenue and borrowing.
- 2 For ease of reading; the report is split into four sections :

Section A Background and Overarching Aims and Objectives
Section B General Fund Revenue Budget

Section C Housing Revenue Account (HRA) Budget
Section D Capital Budget

Appendices to the report:

- Appendix 1. Summary of Proposed Budget by Service 2012-13 to 2015-16
- Appendix 2. Detail of General Fund Revenue Budget by Service 2012-13 to 2015-16
- Appendix 3. Detailed Service Budgets 2012-13 to 2015-16
- Appendix 4. Oxford City Council's Housing Revenue Account Budget for Consultation
- Appendix 5. Housing Revenue Account Rent increases by property type
- Appendix 6. Oxford City Council's Draft Capital Programme 2012-13 to 2015-16
- Appendix 7. Variations in Fees and charges
- Appendix 8. New Investment proposals
- Appendix 9. Risk Register
- Appendix 10. Draft Equalities Impact Assessment

Section A Background and Context

Background and Overarching Aims and Objectives

- 3 Oxford is a remarkable city, home to two world-class universities, and a major NHS Hospital Trust as well as some significant private sector employers. It is a leading hub of the automotive industry, and boasts numerous attractive buildings and green spaces. Yet at the same time, there is significant inequality – a situation likely to get worse as a consequence of the Government's austerity programme and planned reductions in support to the least well off in our society. Reductions in disability and other benefits including Housing Benefit, as well as support for childcare are planned. Pensions and benefits will in future be uprated in line with the usually lower Consumer Price Index (CPI) rather than Retail Price Index (RPI). Major public sector job cuts are planned, which will place at risk a substantial number of staff in Oxford. Youth unemployment in Oxford is increasing, yet the County Council is radically reorganising the scope of services available to young people. It is also struggling to meet the ever increasing burden of providing social care due to the funding constraints within which it has to operate.
- 4 Although these issues fall outside the control of Oxford City Council their effects on the quality of life of the people of the City cannot be ignored. Equally, the Council has grave concerns about the unacceptably low level of educational attainment in the City's schools which is damaging the life changes of many young people in Oxford.
- 5 Oxford City Council has an outstanding record of delivering savings in recent years, reducing the controllable budget from £28.4 million in 2008/9 to £25.778 million in 2011/12. This reflects an impressive performance by staff at all levels of the organisation. As a result of the level of savings

achieved to date plus further savings identified, some targeted investment is planned to address the major social and community issues that are identified above.

National Economic Position

- 6 Following the General Election in May 2010 and the formation of the Liberal Democrat/Conservative Coalition Government, the new Chancellor set an emergency budget in June of that year to bring the structural deficit into balance by 2014-15 through plans for additional consolidation of £40 billion per year, to be achieved through £32 billion of spending reductions and £8 billion net tax increases.
- 7 For Local Government the consequences were significant reductions in Formula Grant front loaded in the first year of the Comprehensive Spending Review in 2011/12.
- 8 Base rates remain low and are not expected to increase from the current 0.5% level until well into 2013. Investment returns as a result; continue to be minimal.
- 9 Inflation for October remained above 5%, more than double the level established as acceptable for the economy although the Bank of England forecasts that inflation will fall back next year to the target of 2%.
- 10 The Government's current borrowing deficit is estimated at approximately £900 billion and whilst the increase in overall debt is increasing at a slower rate than in previous years it is nevertheless still increasing and the Government are struggling to hit their target. They have recently acknowledged that they won't now hit this target until at least 2015/16.

Changes To Government Funding In the Medium Term

- 11 A number of changes to government funding have been announced since January 2011 which will have a direct effect on the Council's Medium Term Financial Plan, they are as follows:
 - **Business Rates Retention Proposals**
- 12 On 19th August the Government issued eight Technical Papers for consultation, detailing aspects of its Business Rate retention proposals. The outcome of the consultation, to which the Council responded, and the detailed exemplifications of the system are due to be published in the summer of 2012 with the new system scheduled to commence from April 2013. In summary the proposal is that:
 - Councils will continue to bill and collect Business Rates as now. However, instead of contributing all Business Rates into the central pool and receiving Formula Grant, some of the Business Rates will be retained locally.
 - The level of retention in year one, or the baseline funding will be equivalent to 2012/13 Formula Grant. This will be achieved through a system of tariffs and top ups. Funding will be set within control totals and the Government will set aside a proportion to fund other grants including the New Homes Bonus

- Thereafter Business Rate retention will be dependant on Business Rate growth, i.e. if authorities Business Rates grow the amount will increase but if they decline; the amount retained could fall. The system will be subject to a system of levies and safety nets to cushion against disproportionate gains and losses due to variations in business rate valuations.

13 Implications for Oxford – Currently Oxford City Council collects around £76million in Business Rates and receives back around £10m. The Medium Term Financial Plan continues with the assumptions made last year for Formula Grant to 2012/15. A further 2% reduction has been assumed in 2015/16 on the basis that the Government’s deficit reduction policies are unlikely to be achieved either within the timescale or in full. The level of grant and percentage reduction are given below

	Estimated Formula Grant	Percentage Reduction
	£million	%
2012/13	11.71	12.53
2013/14	11.52	1.67
2014/15	10.44	9.44
2015/16	10.23	2.00

14 There still remains a concern whether Oxford City Council’s baseline funding at the start of the new system will be appropriate and also about the level of reward or compensation that will be available in respect of future years variations in the business rateable value.

- **Self Financing of the Housing Revenue Account**

15 In March 2010 the Department for Communities and Local Government (DCLG) announced plans for a new system of Self Financing for the Housing Revenue Account. This is due to come into effect from the 1st April 2012.

The implications and more information are detailed in Section C of this report.

- **Localising Support for Council Tax**

16 The Government indicated in 2010/11 that it was going to reduce the level of Council Tax support by 10% in 2013/14. On 2nd August 2011 the Government issued a consultation paper on their proposals for the Localisation of Council Tax Support from 2013/14. This confirmed that 10% is to be taken from the amount of money given to local authorities for Council Tax benefit, while at the same time identifying that pensioners were not intended to be worse off – this could potentially exacerbate the impact on other recipients of Council Tax Benefit if mitigations are not put in place. .

17 **Implications for Oxford**

- A £1million reduction in Council Tax Benefit Subsidy has been included in the Medium Term Financial Plan from 2013/14 onwards and a contingency has been set aside to make good this reduction in full, so that the hardship that would otherwise be caused for poorer groups in Oxford can be mitigated.
- In Oxford about a third of Council Tax Benefit (CTB) recipients are of pensionable age. Without an additional locally-funded top up, this cut would lead to a reduction in support to those of working age of about 15%.

▪ **Welfare Reform**

18 The White Paper “Universal Credit: Welfare that Works”, published on 11 November 2010, set out the Coalition Government’s plans to introduce legislation to change the welfare system by creating a new Universal Credit between 2013 and 2017. The stated objectives are, to radically simplify the system and make work pay thus combating worklessness and poverty.

19 The Universal Credit will merge out-of-work benefits and in-work support. This means that people will no longer have to move from one system to another, as they move into and out of employment, potentially reducing the problems of poor work incentives and the complexity of the current network of benefits and Tax Credits systems. Administration of the new benefit will be managed by the Department for Work and Pensions and is assumed to operate through a complex new internet based link between the PAYE system and benefits calculations.

20 **Implications for Oxford**

- There are significant financial risks associated with this proposal for Oxford. In particular, it would lead to a reduction in staffing of approximately 20 posts over the four year period with potentially costly redundancy implications if staff are not subject to TUPE transfer
 - There will also be a loss of economies of scale from dealing with Council Tax Benefits and Housing Benefits together resulting in higher marginal costs. The Medium Term Financial Plan assumes that these costs will be absorbed by efficiency gains.

• **Council Tax Freeze Grant**

21 For the second year the Government has announced the payment of a Council Tax Freeze Grant. As in 2011/12, local authorities can choose whether to take advantage of the grant..The eligibility criteria also remains unchanged, i.e. where an authority does not increase its basic amount of Council Tax compared to the previous year, it will be eligible to receive a grant equivalent to 2.5% of its Band D Council Tax multiplied by its 2012/13 Tax Base. However, the grant is a one-off payment for 2012/13 only, i.e. authorities will not receive an equivalent amount in future years. The following figures have been factored into the Medium Term Financial Plan:

2012/13 £620,828

2013/14	£324,445
2014/15	£335,849
2015/16	£0

Clearly in the medium term the Council is cushioned to some extent by the ongoing payment from the 2011/12 scheme but in 2013/14 and 2015/16 the Council will need to find savings of around £335k simply to set a 'standstill' budget

- **New Homes Bonus**

22 On the 17th February 2011 the CLG wrote to authorities confirming the scheme for the New Homes Bonus. The grant which was payable from 1ST April 2011 is based on the net growth in housing i.e. new build and demolitions over a 12 month period. The initial calculation based on conservative estimates of growth produced the following estimated grant for the first year of approximately £472k rising to £2.7million on a cumulative basis in year six. Whilst the figure has been confirmed for this financial year, future NHB grant under NNDR reform plans will be top sliced from Business Rate income casting some uncertainty over the overall amount of support to be received in the longer term.

- **Technical Reforms of Council Tax**

23 In October 2011 the Department for Communities and Local Government released a consultation paper on reforms to the Council Tax system and proposals to give Billing authorities greater discretion over reliefs in respect of second homes and empty properties and other potential reforms of the Council Tax system. The consultation is set to run until 29th December with a view to changes taking effect from 2013/14. In summary the proposals include:

- giving Billing authorities power to levy up to full Council Tax on second homes
- replacing exemption Classes A (Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to twelve months discount currently given) with an amount to be determined by the Billing authority
- replacing Class C discounts- a vacant dwelling (i.e. empty and substantially unfurnished –up to six months discount currently given) with an amount to be determined by the Billing authority
- abolishing Class L exemption, i.e. an unoccupied dwelling which has been taken into possession by a mortgage lender and making mortgagees in possession of empty dwellings liable to Council Tax in respect of them
- allowing Billing authorities to levy an 'empty homes premium' in respect of dwellings which have been left empty for two years or more, and
- setting a default assumption that payment of Council Tax by instalments will be over twelve months rather than (as is currently the case) ten.

24 Implications for Oxford

- As at 31st October 2011 the Council had approximately 1300 dwellings classed as second homes on which it currently gives the minimum discount of 10%. The abolition of this discount could result in Oxford City Council receiving an additional £24k per annum in Council Tax.
- The proposal to abolish Class A and C classes of exemption and replace it with a discount set by the Council, would at the 100% level potentially increase the City Council's Council Tax take by up to £100k per annum based on current property numbers.
- Abolishing class L discount – there are currently only 8 properties in this category

The Council is currently considering its response to the consultation: the Medium Term Financial Strategy assumes no change to the current arrangements.

• Public Sector and State Pensions

- 25 The Government are currently consulting on changes in public sector pensions to achieve savings of £1.8 billion per year by 2014. The State pension age will increase for men and women to 66 with effect from 2020. The Hutton inquiry recommended a number of changes to the Local Government Pension Scheme which in the short term would see public sector workers paying more for their pensions and in the long term would see a redesign of the local government pension scheme. The consultation closes on 6th January 2012.

Members of Oxford City Council recently passed a motion supporting the Local Government Association's response to the Government's proposals on pension reform and called for a fundamental rethink of the Government's damaging proposals. The Council remains committed to a fair settlement for its employees, and opposes the changes proposed by the Government.

UK Economic outlook and interest rates

- 26 Following zero growth in the final half of 2010/11 the UK economy grew by less than expected in the first quarter of 2011/12 (0.2%), providing a knock on effect to future growth prospects. Growth is currently subdued due to falling disposable income, higher VAT, overhanging debt, high inflation and concerns over employment. . These are factors which are likely to continue to dampen consumer confidence going forward.
- 27 In the second quarter of 2011/12, Gross Domestic Product (GDP) increased by 0.5 per cent largely based on re-stocking by companies. The Chancellor's Autumn Statement is due to be published shortly and it is anticipated that he is likely to announce measures increase public sector capital investment to ease this situation.

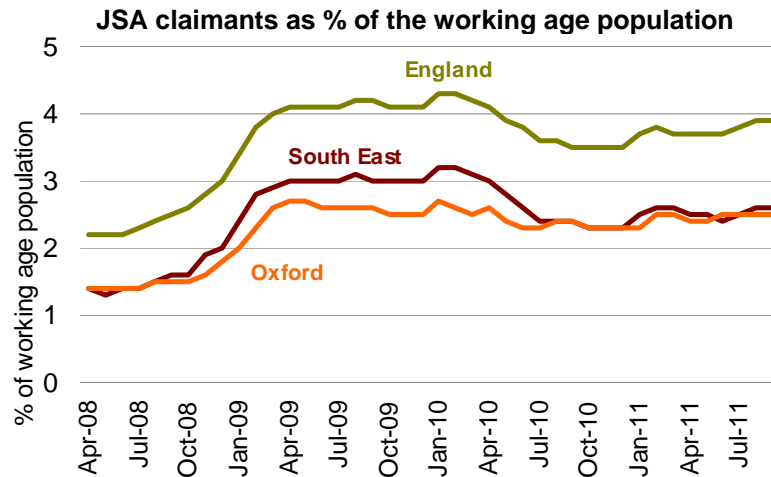
- 28 Inflation remains high. However, the expectation of future falls, the external nature of price increases and the negative impact an increase in the Bank Base Rate would have on the UK economy, is likely to stop the Monetary Policy Committee from raising the Bank Base Rate for some time. A recent indicator of the worsening position was the Monetary Policy Committee minutes signalling a greater willingness to expand the quantitative easing programme.
29. International investors continue to view UK government gilts as a safe investment. The consequent increase in demand for gilts has helped to add downward pressure on gilt yields and sent Public Works Loans Board borrowing rates to low levels.
- 30 **Outlook for the next six months of 2011/12**
There remains substantial uncertainty in economic forecasts due to the following:
- Uncertainty about the speed of economic recovery in the UK, US and EU;
 - the likely political gridlock in the US preventing significant government fiscal action to boost growth ahead of the Presidential elections in November 2012
 - the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy
 - the degree to which the Government's austerity programme will dampen economic growth;
 - the potential for more quantitative easing, and the timing of this in both the UK and US
 - the speed of recovery of banks' profitability and balance sheet imbalances
- 31 Consequently, we expect low growth in the UK to continue, with the Bank Base Rate remaining low for at least 12 months which coupled with a possible extension of quantitative easing will keep investment returns to Oxford City Council depressed.
- Public Works Loans Board rates are expected to rise in the longer term, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, postponing any increases until 2012.
- 32 The table below shows Sector Treasury Services, the Council's treasury management advisors current interest rate forecasts:

	Now	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
3 Month LIBID	0.82%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.90%
6 Month LIBID	1.10%	1.00%	1.00%	1.00%	1.00%	1.00%	1.20%	1.30%	1.50%

12 Month LIBID	1.59%	1.50%	1.50%	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%
10 year PWLB rate	3.52%	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%
25 year PWLB rate	4.56%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%
50 year PWLB rate	4.73%	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%

Recession, recovery and the impact of public sector cuts in Oxford

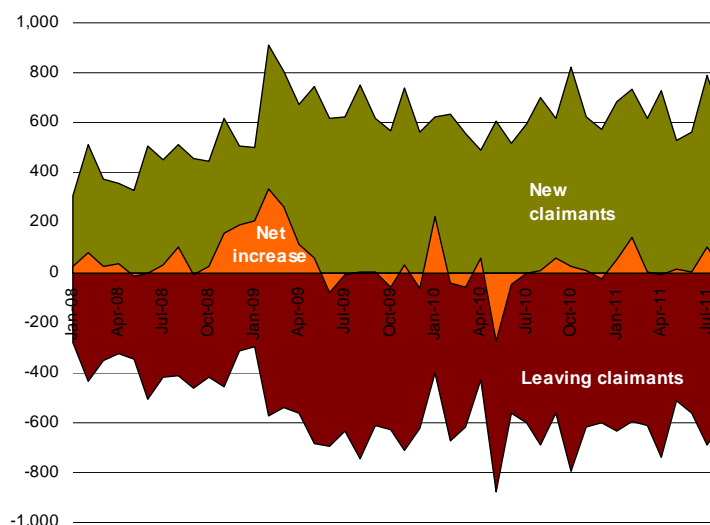
- 33 In the last twelve months an estimated 211,000 UK government jobs have been lost, 66,000 from central government and 145,000 from local government. The number of losses has speeded up in 2011/12, with over 100,000 being deleted in the first quarter.
- 34 The latest employment and unemployment figures are for the period June to August 2011. These estimate that unemployment rose by around 110,000 and employment fell by around 180,000 compared to the period from March to May. The fall in employment was almost entirely due to the loss of part-time employment. The unemployment rate now stands at 8.1%, the highest level since 1996.
- 35 Nearly half of Oxford's jobs are in the public sector and universities. With such a high number of people employed in the public sector we might expect that the impact of public sector cuts will be felt fairly acutely in Oxford. Variant projections produced for the Oxford Strategic Partnership suggest that, even with strong growth in private sector jobs, employment in Oxford would remain fairly flat over the next five years. The outlook depends heavily on university employment which is uncertain given the major funding changes proposed by the government in this sector.
- 36 The best indicator we have of Oxford's economy is the number of people claiming unemployment benefit or Jobseeker's Allowance (JSA). The total number of claimants has risen slightly during 2011. In the second half of 2010 the average number of claimants each month was around 2,600, compared to 2,800 this year. 2.5% of the working age population are claiming JSA, very similar to the South East average. However, this rate is skewed by the large number of university students of working age; the underlying rate is somewhat closer to the England average.



Source: Department for Work and Pensions

- 37 The number of JSA claimants does not capture the whole of unemployment though, as some people who are unemployed will not be claiming JSA. It is estimated that an average of 6.0% of the working age population – 5,100 people – were unemployed in the period April 2010 to March 2011. This estimate does have a wide margin of error – we can have reasonable confidence that the true unemployment rate is between 4.5% and 7.5%. The national unemployment rate is 7.6%.
- 38 In Oxford there has been a 30% increase in youth unemployment, with greater proportional increases amongst older age groups.
- 39 Recent increases in JSA claimants have disproportionately fallen upon female workers. Around two-thirds of the additional claimants over the last 12 months have been women.
- 40 Although the total JSA figures show a slight increase in the total number of claimants, this obscures the fact that there is a lot of movement on and off JSA each month. Turnover of the monthly claimant population is on average @ 20%.

Oxford JSA claimants – on-flows, off-flows and net increases per month



Source: Department for Work and Pensions

- 41 Measured by job vacancies notified to Jobcentre Plus, the labour market in Oxford looks reasonably buoyant. The number of vacancies notified increased again this year and has exceeded the numbers which were being advertised before the recession. The increases in vacancies have been driven by skilled trades and managerial, professional and technical positions. These figures should be treated with caution however, as only a subset of job vacancies are notified to Jobcentre Plus, so they do not necessarily indicate conditions in the labour market as a whole.

Homelessness

- 42 There are a number of challenges facing the Council in relation to provision of services for homeless people and people with insecure housing over the next few years. Chief amongst these are the reductions in Local Housing Allowance and other welfare benefits.
- 43 We have seen a marked increase in young people presenting as homeless following the up-rating of non-dependent deductions from Housing Benefit (HB)/Local Housing Allowance (LHA) in April 2011 (whereby benefits are reduced if – for instance – a young person living in a family gets a part-time job). Family & Friends exclusion is the largest single cause identified by people presenting as homeless, particularly amongst younger people. The increases in the amount deducted from benefit as a result of having a non-dependent in the household is likely to trigger a further wave of exclusions in the short term, and to make benefit dependent households more likely to exclude non-dependents in the future.
- 44 Our ability to manage homelessness by use of the private rented sector has been undermined by the changes to LHA rates which were introduced in April 2011 for new claims, and which will affect existing claims as they come out of protection over the next 14 months. The reduction of LHA to reflect only the 30th percentile of local market rents (rather than the median) is of particular concern in Oxford as local market rents are currently calculated on the basis of rents across an area extending well beyond the City's boundary and rents in other parts of the County are cheaper than in Oxford City. This means that much of the accommodation in the cheapest 30% of the market is outside the City. LHA levels for 1, 2 & 3 bed properties have fallen by around fifty pounds per month, rates for four bed properties have fallen by around £100 per month. The rate for properties larger than four bedrooms is now capped at the four bed rate, and this has rendered such properties unaffordable for large families on low incomes without substantial additional support from the City Council. These changes have made it increasingly difficult for the Housing Needs team to use the private sector as effectively as it has done in recent years as part of the homelessness prevention strategy. In the first six months of 2011/12, the number of new private sector tenancies created with assistance from the Housing Needs Team fell by 50% against the same period last year. As a direct result of this, the number of households in temporary accommodation is above target.

- 45 Some funding is available for topping up LHA payments, from the Discretionary Housing Payments (DHP) budget (funded by central government – £105,520 in 2011/12) but this is intended to be a short-term fix, rather than an ongoing commitment. Some topping up of the DHP budget (by 1.5x the allocation) is permissible, and in 2011/12 this has been done using a combination of Homelessness Grant, Housing Needs Homelessness Prevention budgets and a small sum from reserves, to a total of £263,800. In 2012/13, the DHP grant will increase to £229,846. Topping up to a total of £574,615 would be permissible, calling for additional funds to the amount of £344,769. Whilst this may seem a very considerable sum, it should be borne in mind that restricting LHA to the cheapest 30% of market rents will affect more than 2,200 households in Oxford City, and this measure alone is expected to reduce HB payments by around £2 million a year to the City's residents. Given the easy availability of other markets for private landlords, the current trend of a substantial reduction in the number of properties available for households in receipt of LHA is likely to continue as the number of households affected continues to climb.
- 46 Grant received from the Communities & Local Government Department's Homelessness & Worklessness Directorate for the 2011/12 financial year (commonly known as "Homelessness Grant") totalled £1,047,000, a forty percent increase on the previous year's funding. This increase was the result of Government's decision not to "top-slice" the grant pot for national schemes to the same extent as in the past, and to distribute the increased funding thus released as a straight percentage increase to all housing authorities. It is likely that this level of funding will be maintained in 2012/13, but there is no certainty beyond that year. Much of this funding is used to support services for rough sleepers and single homeless individuals, but £100,000 has been used to top-up the DHP budget in the current year. A report outlining officers' suggested allocations of this budget for 2012/13 will be brought to the City Executive Board in the New Year following confirmation of the amount receivable.
- 47 The Medium Term Financial Strategy includes a contingency to cover the pressures identified on homelessness around £1.6 million over the four year period; to date £34,000 has been allocated for top up of the DHP budget for 2011/12.

Impact of current years budget 2011/12

- 48 The impact of the recession on the Council's budget for the current financial year has been closely monitored, in particular the trends for key income lines and demand led budgets. Whilst the reduced budgeted levels of commercial rental income and other income streams such as car parking and planning fees are not deteriorating further, they show little sign of imminent improvement. As at the 30th September a favourable outturn variance of £84k (0.33%) across the whole budget was forecast.

Value for Money & Efficiency

- 49 The Council has made substantial progress in improving value for money and generating efficiency savings over the past three years. Within the

current year's budget, 2011/12, are £3.296 million of efficiency savings and £882k of service reduction savings. The quantum of savings is currently forecast to be achievable. The programme of efficiency savings continues across the Medium Term Financial Plan as follows:

	£million
2012/13	1.8
2013/14	2.4
2014/15	3.1
2015/16	3.6

- 50 Central to the Council's programme of efficiencies to date has been the "Council 2012" Programme which encompasses five core programmes of work as outlined below:

- 1 Customers First**
- 2. Offices for the Future**
- 3. Corporate Services Modernisation**
- 4. Direct Services**
- 5. Reformed Housing Function**

Work to Date

- In September 2011 the Council went live with a state of the art Customer Contact Centre for the handling of telephone calls to the Council and Customer Service Centre for face to face contact with members of the public. It provides members of the public with a One Stop Shop to access a wide range of Council services such as Housing Benefit, Planning, Council Tax, Housing, Recycling and Waste and Environmental services. In addition, there are dedicated self service areas to access services on-line
- The Council has disposed of its office accommodation in Blue Boar Street and work is well under way on refurbishment of its offices at St Aldates. Following transfer of staff from Ramsey House revenue savings of in excess of £400k per annum will be realised. Further savings will be realised from the disposal or letting of Ramsey House
- The Council has centralised and rationalised its ICT and Finance back office functions, reviewed its ICT and commenced the implementation of a more streamlined Finance system commencing with the introduction of a Direct Debit facility for the collection of income which went live in October 2011. Further work is planned on budget monitoring improvements and also electronic procurement and payment
- The Direct Services Team has been established and is now looking to extend its trading with other public sector bodies in areas such as vehicle maintenance and housing repairs. Within the Capital Programme provision has been made for the progression of work on a single depot and stores operation.

Audit Commission Value for Money Opinion

- 51 The Audit Commission's Annual Audit Letter for 2010/11 concludes that the Council has robust financial processes in place for managing and monitoring financial performance and has responded well to the reductions in government grant, has a stable financial position and should be able to achieve its plans.

Section B General Fund Revenue Budget

The Budget Process

- 52 As part of the annual Medium Term Financial Strategy refresh Service Heads were requested to:
- Review the savings and efficiencies included within the current Medium Term Financial Plan (and agreed by Council in February 2011) and to present alternative proposals to achieve the savings where necessary in order to live within an overall cash envelope.
 - Present plans to achieve a further 2% year on year efficiency savings with effect from 2015/16
- 53 Detailed templates for capturing proposed Efficiency Savings, Spend to Save opportunities and Fees & Charges options as well as Pressures and Service Reductions were submitted to the Finance Team for collation and review in September.
- 54 The Corporate Management Team scrutinised all proposals for consistency of approach and deliverability of savings. Given the high level of efficiencies offered these proposals have been ranked as High, Medium and Low risk and a level of contingency calculated against the medium and high risk savings and income generation proposals.
- 55 The administration has subsequently reviewed options and worked with officers to develop proposals that would help to reduce inequality in Oxford and to mitigate the impact of Government policies which risk exacerbating current levels of inequality.

Planning Assumptions Used

- 56 The following Planning assumptions are assumed within the Medium Term Financial Strategy:
- **Formula Grant** - Reductions of 6.4%, 0.9% and 5.6% in line with the overall funding reduction to Local Authorities announced in CSR 2010 and a further 2% reduction thereafter.
 - **Council Tax Increase** - An increase of 4% in Council Tax is assumed in the MTFs for 2013/14 with future increases of 3% per annum. This allows the Council to freeze Council Tax this year on the basis of the

one-year grant from Government , without creating the longer-term budget challenge identified above

- **Housing Benefit Admin Grant** – Confirmed as just over £1 million in 2012/13 and estimated to taper down over the four year period for implementation on welfare reforms
- **Council Tax Grant** – Reflects 2011/12 Council Tax Freeze and subsequent grant allocation, equivalent of a 2.5% increase foregone, uplifted each year for rises in the Tax Base. A future freeze grant is assumed in 2012/13 although only for one year.
- **Base Budget** - The starting point for planning is the 2012-13 base budget position as presented in the 2011 MTFS. This is defined as the 2011-12 budgets, adjusted for any approved and permanent adjustments, for savings that start or increase in 2012-13 and for bids made last year where the funding changes or ends.
- **Inflation** - No general inflation has been applied to non pay budgets.
- **Pay Assumptions** – Inflation has been assumed at 2.5% in 2012/13, 3% in 2013/14 and 3.5% thereafter.
- **Staff Increments** - Following agreement with Unions pay increments have been frozen until 2013/14. However, the Council will make a 'partnership' payment of up to £550 per annum payable on an equal basis to all staff if the efficiency savings are exceeded in year and individual targets appraisal and attendance targets are met. From 2015/16 there will be negotiations with the Unions on a new pay scheme
- **Pensions** - The Medium Term Financial Strategy includes an increase from the current contribution in line with pay inflation increases.
- **Investment Income** - Investment income has been forecast based on our Treasury advisors' November 2011 predictions. This remains an area of considerable uncertainty for medium term forecasts.
- **Increases in Fees and Charges** – The Medium Term Financial Strategy for the next four years allows for fees and charges to increase over the medium term in line with 'what the market can bear'. In practice this means that most charges including car parking, building control, planning and cemeteries remain at 2010/11 prices although there are increases (below the level of inflation) in the following areas :
 - Leisure activities including swimming, tennis, membership fees, fitness gyms, skating – approximately 4.5% but Bonus concessionary memberships not increased for third consecutive year
 - License fees – approximately 4%

- Garden waste bins – 5%
- **Capital Financing** - Capital financing for the draft Capital Programme is detailed in Section D. The four year Medium Term Financial Strategy includes provision for £11 million of prudential borrowing.
- **Contingencies** - Contingencies have been included against the high and medium level risk efficiency savings, service reductions and fees and charges. In addition, sums have been set aside for the escalation of homelessness costs and for potential redundancy costs. From 2013/14 £1 million has been set aside to meet the Government's proposed reduction in Council Tax Benefit, to mitigate the impact of the cut upon poverty in Oxford.
- **Bad Debts** – Due to the proposed changes in Council Tax Benefit and the changes to welfare benefits the anticipated Council Tax collection rate has been reduced from the current 98% to 97%
- **New Homes Bonus** – Assumed that the payments in respect of New Homes Bonus will be utilised largely to support the Council's Capital Programme, improving council buildings such as parks pavilions and generating revenue savings on repairs and maintenance.

New Budget Measures

57 A number of proposals are contained in this budget to address the problems of poverty and inequality in Oxford, to raise educational attainment, to improve the life chances of young people, and to reduce our carbon footprint and avoid the potentially catastrophic impact of climate change upon future generations. These are set out below, and comment on these as part of the consultation process will be particularly welcome.

Educational Attainment: This fund of £350k per annum is intended to support Oxford's schools, at primary and secondary level, to deliver a step change in educational attainment, which in Oxford City is amongst the lowest in the country. Headteachers will be consulted at an early stage on the exact programme design, and this programme will complement the Strategy for Education upon which the County Council is currently consulting. Targeted interventions with under-achieving children, additional classroom support, activities before and after the school day, and expert training for staff may all be covered by this fund. Co-funding from the schools themselves will be a feature of the programme.

Youth activities: This programme, funded at £240k per annum, is intended to provide support in areas of the City where the County Council's changes to youth provision have had the greatest detrimental impact, as well as expanding youth activity to some areas which currently have no provision. Provision will particularly be targeted at those areas with greatest need; again, partnership funding will be sought from other organisations. This will deliver a major improvement in the level of

support for young people in Oxford, and along with the focus on improving educational attainment, is intended to improve the life chances and opportunities of young people from all parts of Oxford.

Promotion of free swimming: This will deliver a substantial programme to ensure that young people, notably from backgrounds which are less likely to access free swimming, are aware of and take advantage of the opportunity.

Oxford Cycle City: Oxford is renowned as a City where many people cycle, but there are numerous roads which are unsuitable or even dangerous for cyclists and where cycle lanes are inadequate. This pot of money (£300k capital over four years plus £10k revenue) will allow the targeted creation of more cycle lanes and better signage. We will seek to establish a steering group with the local cyclists' group "Cyclox" to plan and monitor implementation, and will press the County Council for appropriate financial and policy commitment as the Highways Authority.

Groundworks Environmental Improvement Programme: This will deliver a social enterprise programme to clear watercourses, ditches and streams to improve flood protection.

Low-carbon Oxford : This funding will assist the City Council to maintain its active leadership of the low-carbon agenda and ensure that Low Carbon Oxford is able to continue its successful work for a further two years.

Stronger private rented sector enforcement: This fund will allow greater proactive enforcement of standards in the private rented sector. In particular, our aim is to ensure that family properties are not allowed to become sub-standard because of the close attention being paid to Houses in Multiple Occupation, due to the licensing scheme which applies in that sector.

Homeshare: This project, which is being conceived with "Age UK", is intended to promote more inter-generational home sharing – of great benefit to younger and older people alike. Oxford City Council intends to involve Age UK and older people's representatives in the design, implementation and promotion of this scheme.

Older people's support grant: This fund (£20k per annum) is intended to encourage new initiatives to support isolated older people in the community. Age UK and older people's representatives will be involved in the design, implementation and promotion of initiatives.

Living wage: This will fund an increase in the "Living Wage" for all Oxford City Council employees and contractors to £8 per hour. We will seek to promote this living wage to all employers in Oxford City.

Legal aid – welfare advice: Following Government cuts to Legal Aid for many needing advice and support on welfare issues, this will create a two-year support post to mitigate the impact on those in need. It will be delivered in partnership with an advice agency.

Apprenticeships: This fund, of £50k per annum for two years, will provide at least five new apprenticeships at Oxford City Council, helping reduce youth unemployment and supporting local young people to get experience and qualifications. Council managers will bid into this fund and be expected to provide some match funding from departmental resources.

Councillor social inclusion initiatives: In addition to the continuation of the £1,500 per annum Ward Budgets, a new fund of £50k per annum for two years will be provided for Councillors to bid into, to fund local projects which are clearly able to demonstrate they will achieve social inclusion aims.

Leisure / school partnership activities: This proposal is intended to mitigate the impact from cuts to youth sport by the Government and County Council. It will create a three-year post to deliver more use of Oxford City Council facilities by local schools.

Parks pavilions: A major refurbishment of parks pavilions is proposed – many of these have become dilapidated and in some cases have closed due to safety concerns. For instance, £150k has been earmarked for a new pavilion on Blackbird Leys

Cricket festival, cricket nets and tennis cage: This will lead to an annual cricket festival, enjoyed by players from all backgrounds, in Cowley Marsh park. In addition, a new cricket cage and tennis nets in Cowley Marsh park will be provided.

Football pitches: This is a one-off project to improve drainage at Court Place Farm, overcoming problems of water-logging and ensuring that teams are able to play there more regularly.

Green Deal promotion: This project is to ensure early and full take-up of the proposed “Green Deal” to promote insulation.

Toilets: This substantial capital funding (£420k over three years) will improve the quality of toilets in and beyond the city centre.

Carbon reduction: This fund is intended to enable a reduction in Oxford City Council’s carbon footprint to 5% per annum.

Conversion of council flat sites to recycling: This will convert remaining council flat sites to recycling, with improved bin stores.

Locking of Florence Park: This provides continued funding to lock Florence Park in the evenings, to prevent crime and anti-social behaviour.

Additional hours for litter picking and maintenance in parks: Following the successful modernisation of play areas across the City, usage of parks has increased substantially. This fund will allow improved maintenance and litter picking in our parks.

New low-emission litter picking vehicle in city centre: This additional vehicle will enable side-waste to be removed more effectively from around bins in the City Centre.

Additional equipment to clear snow from footways: Following recent periods of extreme weather, this funding will enable new snow-clearing equipment to be purchased.

New pathway to enter Westgate: This will enable better access between the Westgate Car Park and the street.

Proactive riverbank enforcement: This will provide a targeted programme of enforcement to deal with the growing problem of illegal moorings.

Proactive night time noisy party patrol: This will provide proactive work to reduce noise problems in areas and at times where there has been a history of noise complaints.

Cleaner greener area based door-to-door campaign: This will extend successful work to promote the “Cleaner Greener” Oxford agenda, improving recycling and street cleanliness throughout the City.

58 The Council’s General Fund Budget for Consultation is set out in Appendix 1 attached and is summarised below:

	2012/13	2013/14	2014/15	2015/16
	£000’s	£000’s	£000’s	£000’s
EXPENDITURE				
Total Base Budget	25,530	25,530	25,530	25,530
Fees and Charges increases	(1,198)	(1,853)	(2,126)	(2,680)
Efficiencies	(1,761)	(2,397)	(3,082)	(3,581)
Invest to save proposals	(459)	(664)	(684)	(684)
New Investment	1,112	1,063	826	796
Contingencies	2,391	2,152	2,230	2,664
Other	143	674	1,038	1,945
Transferred to (from)working Balance	(1,622)	(137)	0	0
Net Budget Requirement	24,136	24,368	23,732	23,990

FUNDING				
Council Tax	12,417	12,845	13,297	13,764
Formula Grant	11,719	11,523	10,435	10,226
Total	24,136	24,368	23,732	23,990

GENERAL FUND WORKING BALANCE				
Opening	5,243	3,621	3,484	3,484
Transferred to/(from)	(1,622)	(137)	0	0
Closing	3,621	3,484	3,484	3,484

The above table shows over the four year period Efficiencies of £3.58 million, increased income from Fees and Charges including trading totalling £2.7 million, net increased income from Invest to Save proposals of £0.68 million, service reductions of £0.9 million and New Investment following a re-prioritisation of the budget of approximately £0.8 million as shown in Appendix 3 and 8

Risk Implications

- 59 The main risks to the balanced position of the General Fund consultation budget (Appendix 9) are:
- Business Rate Reform which is currently being consulted on may not be as financially beneficial as expected
 - Welfare Reforms which will come in from 2013/14 may affect the authority more adversely than estimated
 - Localising support for Council Tax currently being consulted on may cost the Council more than estimated and have an increased impact on arrears.
 - The potential for the variation in the New Homes Bonus. This is based on estimated numbers of new dwellings constructed and occupied during a given 12 months period, clearly this will be subject to variation
 - Interest rates falling lower than projected
 - Any slippage in the delivery of savings, especially around trading or additional pressures on the 2011-12 budget that could impact on 2012-13
 - The Council's Formula Grant Settlement Figures are less than estimated

Budget Consultation

- 60 The budget consultation exercise will commence in December 2011 and involve a staff survey as well as utilise Talkback, an online survey and the Oxford Mail which will carry a simplified version of the survey, and

targeted consultation with headteachers and young people on the bids concerning educational attainment and youth activities. The outcome of the consultation process will be reported to CEB in February 2012, together with the outcome of the final settlement determination

Section C Housing Revenue Account Budget

Background

- 61 The Council's 2011/12 Housing Revenue Account (HRA) budget projects an in-year surplus of £500k, raising its year-end balance to £2.5m. Budget monitoring continues to suggest that this outturn position will be achieved.
- 62 The Localism Act 2011 has introduced a new self-financing system, from 2012/13. Self-financing will effectively end the current practice of negative subsidy payments, currently £13m for Oxford City Council, paid by our HRA tenants back to the Government's central pot for re-distribution to other Councils. This will be replaced with a system by which Oxford City Council will be able to hold on to all of its HRA dwelling rents in return for a one-off settlement relating to re-allocation of the national housing debt figure. For Oxford City this has been estimated at £199m (February 2011).

Current Position

- 63 In preparation for self-financing a 30 year business plan has been prepared (and is separately reported elsewhere on this agenda). The Council will continue to maintain its housing stock but it is hoped by adopting a mixed debt portfolio strategy that the Authority can engage in the development/acquisition of new build properties that could be incorporated within the City's HRA to meet the affordable housing need the Council's Housing Strategy clearly identifies. This Business Plan will be updated and reviewed annually as part of the MTFS refresh
- 64 The final Housing Determinations will be announced in January 2012. The main issues to consider are;
- Rental assumptions in the settlement will be as previously stated, namely that the rent restructuring formulae will continue to be adopted.
 - The cap on housing debt will be measured through the Housing Capital Financing Requirement (which is the long-term need for borrowing to support the business plan) and set at the level determined by the final settlement. A determination will be issued to give force to this – the Limit on Indebtedness.
 - The HRA ring fence will remain. However, in order to allow for the changes to depreciation and debt management, some technical adjustments will be required.
 - There has recently been some movement in policy towards the treatment of right to buy receipts. However, the full impact of changes

to the policy and how this affects the HRA are not fully known at the time of writing this report.

- The settlement figure will be based on input data from a 'shadow' 2012-13 subsidy determination with an update to all guideline rents and allowances.
- The date for payments between DCLG, local authorities and the Public Works Loan Board (PWLB) will be 28th March 2012.

65 In September 2011 the Government announced that they were intending to make available substantially lower borrowing rates from their normal PWLB rates, specifically for the self-financing transaction. Early indications suggest that this could be 11-15 points above gilts prices, thus saving the Council 85-89 basis points against prevailing market prices. Such a deal renders most other borrowing options inadvisable and as such it is probable, subject to any further changes in the markets, that the Council will procure its self-financing debt via the PWLB route. This funding route still requires the Council to obtain a basket of short-term/long-term debt on maturity, annuities or Equal Instalment methods, to be determined. The proposals will form the basis of a revised Treasury Strategy for 2011/12 to be approved by Council in February 2012.

The Final Determinations for Self Financing

66 Although the final determinations will not be known until January 2012 in November the Council received a further update on the self financing determinations. In summary the following points are worthy of note -

- The determinations suggest an increase in the City Council's debt cap from £234m to £242m (plus additional £4.6m of borrowing which was used last year on the HCA supported new build schemes at Cardinal House and Lambourne Road, which it is believed the determinations allow to be added although this is to be confirmed as part of the consultation exercise). The increased debt cap position has come about from amendments in the allowances used in the valuation model and some changes to stock numbers as the Net Present Value discount rate of 6.5% has remained.
- There is no real movement in what DCLG require us to initially borrow to pay them, namely £199m.
- As such our headroom has increased from £15million to around £23million subject to confirmation

A comparison of the differences in the valuation models is provided below;

	Feb 2011	Nov 2011
Combined uplift in Allowances	15.84%	16.07%
Opening Debt Allocation	£234.449m	£234.099m
Subsidy Capital Finance Requirement	£34.489m	£34.489m
DCLG debt taken on at settlement date	£199.959m	£199.610m
Indicative Debt Cap	£234.449m	£242.199m*

Borrowing Headroom	£14 million	£23 million est
Average debt per dwelling	£30,166	£30,218

* This figure may increase by another £4.6m and clarity regarding this position will be sought as part of the consultation exercise that ends on 6 January 2012.

67 Laying the Foundations ‘ A Housing Strategy for England’

On 21st November the Government published a Draft Housing Strategy. The document contains much that has already been announced in previous policy statements, but does contain a small number of new policy initiatives, and a little further detail on previous announcements. These include:

- A new build indemnity scheme open to all house builders who wish to participate that will deliver 95% mortgages for new build properties, for first time and other buyers who do not have sufficient capital to meet the high deposit requirements currently demanded by high-street lenders
- A £400M ‘Get Britain Building’ fund will be established. This will be available to developers who have sites which are either “shovel ready” (ie, have full planning and are ready to build out) or are partly built, but stalled for lack of development capital.
- Reform of the ‘Right to Buy’ (RTB) policy. Currently the maximum discount available on a council property in Oxford when sold under RTB is £16,000. This cap on discounts was introduced by the previous Government in recognition of the undue stress that unrestricted RTB sales were introducing into the housing market in the City. It is worth noting that Oxford was one of only 3 locations outside London that benefited from this level of cap, the remainder of the south east region being capped at £38,000 maximum discount. The strategy states that the government will consult on future discount levels, but indicates that “our firm intention is to increase the caps substantially and hence the average discount received by buyers in England would be up to half the value of their homes – which would be roughly double the current average discount. Current allowances for RTB sales in the calculations for housing debt as part of the finance reforms will be unchanged up to the level already built in to the calculations (for Oxford, an allowance of 9 properties per year). For these properties, 75% of the receipt will go to the Treasury, and 25% will be retained by the local authority. For sales above that level, the first call on the receipt will be to pay down the debt raised against each property as part of the HRA buy-out – in Oxford’s case, an average of £30,000 per property. A proportion of the receipt would then be set aside as a contribution to building a “affordable” home (with a rent at up to 80% of market level), with the remaining receipt split between Treasury and local authority, one assumes on the existing 75/25 split. This represents a major risk to the Housing Revenue Account,

as well as being certain to lead to a fall in the number of social rented homes in Oxford.

68 Key assumptions made in preparing the budget for 2012/13

▪ Debt Profile

The PWLB route has been assumed as the vehicle to acquire the self-financing debt. We have assumed an indicative 4.9% interest rate. Currently the debt modelling uses all available spare cash to repay debt principal. This suggests that all debt could be repaid within 17 years. It may be prudent to stretch repayments to later years within the 30 year model, so as to release resources to fund additional new build schemes in the short/medium term.

• Responsive Repairs and Maintenance

Within the four year Medium Term Financial Strategy and the 30 year business plan we have projected a 10% reduction per year for the first five years to reflect the capital investment in the housing stock. This will be reviewed annually.

▪ Property Change Assumptions

We have assumed 3 RTB's per year. This assumption will need to be radically revisited in the light of the Government's announcement of its intention to increase Right To Buy discounts, and will present a major challenge.

▪ Rent Increase

The rent restructuring formula remains under self-financing and whilst the determinations are still awaited it is expected that increases will be based on RPI at 5.6% + 0.5% + £2. This will mean that average rents for 2012/13 will rise by £6.68/week or 7.83% meaning that the average rent for next financial year will be £91.86/week. This is expected to produce an additional £1.7 million per annum. A detailed summary of the range of increases for each dwelling type within the stock (excluding leased properties) is provided at Appendix 5.

It is fair to say that whilst rental convergence dates are part of the rent setting formula, in reality it is unlikely that all Council tenants will converge to the formula rents within this timescale.

The policy in which property rents are automatically placed at the formula level following a void period will continue during 2012/13, thus ensuring many properties converge. Once this occurs rent increases thereafter would be limited to RPI + 0.5%.

▪ Inflation and pay assumptions

The assumptions for Inflation, pay award and increments are the same as for staff and expenses within the Council's General Fund (see paragraph 56 above)

▪ **Working Balance**

Given the increased risks Oxford City Council's HRA will be subject to as a result of self-financing e.g. interest rate exposure on variable debt, possible increased arrears due to Housing Benefit changes etc, a prudent increase in the working balance from £2.5m to £3.5m has been assumed.

▪ **Service Charges**

Service charges such as caretaking, cleaning, CCTV, communal areas etc will be increased in line with DCLG proposals namely RPI + 0.5% i.e. 6.1%

▪ **Other Fees and charges**

No increase is proposed in other fees and charges such as garage rents, call alarms, parking spaces and sheltered guest room hire per night for 2012/13

Housing Revenue Account Budget 2012/13 TO 2015/16

69 Appendix 4 sets out the detail of the HRA for the period 2012/13 to 2015/16 which is summarised below

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Total Income	(39,720)	(41,658)	(43,671)	(45,743)
Total Revenue Expenditure	18,847	19,729	20,182	20,651
Total Other	19,299	19,437	19,481	19,437
Net Operating Income	(1,574)	(2,492)	(4,008)	(5,655)
Total Appropriations	565	2,517	4,017	5,666
ANNUAL (SURPLUS) / DEFICIT	(1,009)	25	9	11
Opening Balance	(2,491)	(3,500)	(3,475)	(3,4660)
Closing Balance	(3,500)	(3,475)	(3,466)	(3,455)

Risk Implications

70 The main risks to the balanced position of the consultation budget (Appendix 9) are:

- The Self Financing Settlement in January 2012 reduces the debt cap and curtails the aspiration of the Council's Housing Strategy

- Market fluctuations in interest rates increase borrowing costs and reduce income available to fund the HRA
- Government plans to consult on increasing RTB discounts leading to an increase in disposals and reduced rental income to fund the HRA
- The robustness of estimates
- Increased rent arrears due to impact of benefit changes

Tenant Consultation

71 A number of consultation ‘roadshows’ with tenants and leaseholders are planned and will continue through December. These will discuss the housing budget proposals together with a number of other housing related issues and the outcome will be reported to CEB in February 2012.

Section D Capital Budget

72 As part of the budget process officers were invited to submit outline business cases for new schemes to be included within the Capital Programme. The bids also included schemes where although approval has previously been given they have not yet commenced. This enables the Capital Programme to be looked at holistically in terms of available resources, including re-evaluating the prioritisation of schemes which have not yet been committed.

General Fund Capital Programme

73 As part of the officer review process General Fund bids were evaluated using a scoring mechanism which took into account:

- Their contribution to the Council’s corporate priorities
- Their statutory or contractual nature
 - The cost of the scheme in total , small schemes scoring more points than larger ones
- Whether the scheme attracts external funding
 - Whether there were additional revenue implications and whether there was budget provision for them
- The risk of not doing the project

74 The proposed General Fund Programme amounts to over £34 million over the four year period including £16 million of new schemes. The £18 million difference is made up of schemes that are currently committed within the existing Programme e.g. improvement and refurbishment of Council buildings £6 million, mandatory disabled facility grants £3.2 million, new competition pool £7million.

75 Appendix 6 attached details the Council's Draft Capital Programme for 2012/13 to 2015/16. It is summarised below

Capital Programme 2012/13 to 2015/16				
	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Environmental Development	690	690	690	640
Community Housing and Development	90	0	0	0
Corporate Assets	3,133	1,510	1,466	600
City Leisure	7,188	1,000	0	0
City Works	84	0	0	0
Business Transformation	150	200	100	0
New Bids	4,585	5,896	2,802	2,606
Total General Fund	15,770	9,296	5,058	3,846
HRA	8,395	8,375	8,029	7,736
Total Programme	24,315	17,671	13,087	11,582

76 The draft General Fund Capital Programme is funded over the next four years by Prudential Borrowing (32%), capital receipts (24%) revenue (39%) and Government Grants (5%). All revenue costs have been included in the General Fund revenue budget. This is consistent with one of the key objectives of the MTFs, i.e. that the Capital Programme should be funded on a more sustainable basis going forward, with a greater reliance on revenue contributions, the use of prudential borrowing where projects improve the Council's financial position, and reduced use of asset disposals. The use of capital receipts of around £8million relies on a number of key asset sales.

Capital Receipts

77 To fund the Capital Programme the Council has earmarked a number of sites for disposal. These sites have been risk evaluated and a view taken on both the level and timing of the receipt to be expected. The balance of capital receipts against the proposed use of the receipts through the proposed Capital Program is as follows

General Fund Capital Receipts – 2011-2016

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's	£000's
Opening Balance	5,538	3,567	7	2,994	1,994
Used for Financing	(6,261)	(3,700)	(2,513)	(1,000)	(688)
New Receipts	4,290	140	5,500	0	0
Closing Balance	3,567	7	2,994	1,994	1,306

78 Whilst most of the receipts for 2011/12 the current financial year have been received. The disposals pipeline going forward is limited and primarily relies on the sale of two sites.

Housing Revenue Account Capital Programme

79 The draft HRA Capital Programme is intrinsically linked to the 30 year Business Plan. Under the new system the Major Repairs Allowance (MRA) will disappear and the Capital Programme will largely be funded by HRA surpluses generated by housing rents. In total over the initial four year term the Council is looking to invest £32.5 million (£464million over the 30 year plan) to fund

- Repairs and maintenance to tower blocks of £4million over the next four years (£8.3million over the 30 year plan)
- Kitchens (excluding wiring) -£6.2 million (£33 million over the life of the Business Plan)
- Central Heating £5 million (£35million over the life of the business plan)
- Aids and adaptations, an amount of £3.6 million has been included to fund suitable aids and adaptations to council dwellings for the disabled and elderly (£27 million over the life of the business plan)

Risk Implications impacting on the Capital Programme

80 The main risks to the balanced position of the consultation budget (Appendix 9) are:

- Disposals not secured causing a shortfall in funding of schemes
- Slippage in capital programme and impact on delivery of priorities
- Robustness of estimates

Budget next steps

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

Consultation Budget Report to CEB	7 th December
Budget Consultation Period	December to January 2012
Final Budget Report to CEB including outcome of Consultation	8 th February 2012
Budget approval and Council Tax Setting	20 th February 2012

82 Financial Implications

These are covered within the main body of the report

83 Legal Implications

There are no implications beyond those identified in the body of the report.

84 Risk Implications

These are shown in Appendix 9 of the report

85 Equalities Impact Assessment

The Council is committed to ensuring equality in service provision and the impact of budget and service changes are considered in relation to the 9 protected characteristics as identified in the Equalities Act 2010.

An draft equalities impact assessment is attached at Appendix 10. The final version of the assessment will be reported to the City's Executive Board in February 2012 prior to agreement of the recommended budget. Where an initial equalities impact assessment points to the need for more detailed work, this will be progressed with the relevant Head of Service in the interim.

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List of background papers:

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