

SUBJECT:	BUDGET & COUNCIL TAX REPORT 2017/18
REPORT OF:	Support Services Portfolio Holder
RESPONSIBLE OFFICER	Director of Resources
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WARD(s) AFFECTED	All

1. Purpose of Report

- 1.1 This report provides information affecting the Council's revenue budget for 2017/18 in order for the Cabinet to make recommendations to Council on 28th February regarding the Council's budget and council tax for 2017/18.

2. Recommendations

Revenue Budget 2017/18

- 1) Approve the Revenue budget for 2017/18 as summarised in the table in paragraph 5.15, and recommend this to Council.
- 2) Agree that no support is provided to CDC parishes in respect of the impact of Council Tax Support on their tax bases for 2017/18 as the authority no longer receives Revenue Support Grant.
- 3) Agree the following use of earmarked reserves for 2017/18:
 - Local Development Plan £268k
- 4) Agree, or amend, the following additions to earmarked reserves for 2017/18
 - Capital – Funding replacement refuse vehicles, £394k
 - Capital – Funding of capital programme, £1,028k
 - HS2, £150k
 - Elections, £20k
 - Planning Digitalisation, £105k.
- 5) Approve a budget requirement of £10,747k, which will result in a District council tax of £175.62 for a Band D property.
- 6) Confirm the level of fees and charges for 2017/18 (Appendix C).
- 7) Note the advice of the Director of Resources (Appendix A).

Setting the Council Tax

- 8) Agree that this report be made available to all Members of the Council in advance of the Council Tax setting meeting on 28th February, and a final report is produced for the Council

meeting incorporating the information from preceptors, and the final decisions of the Cabinet on the budget.

Medium Term Financial Strategy

9) To note the comments in the report on the Council's financial position in respect of the years following 2017/18.

3. Executive Summary

3.1 It is the responsibility of the Cabinet to prepare a revenue budget for approval by the Council which will form the basis of setting the council tax. It also outlines the main issues affecting the Council's future financial position, as it is prudent to consider not just a single financial year in isolation.

4. Reason for Recommendations

4.1 The Cabinet is required to recommend to Council a budget as the basis of setting the District element of the council tax. The information within the report will be the basis for the whole Council taking the decisions on the council tax, and this is why the report will be made available to all members.

4.2 When considering its budget the Council needs to be mindful of the medium term financial position, and this is covered within this report.

5. Information

5.1 This report is divided into a number of sections, that as a whole cover the various elements that need to be considered when setting the Council's budget for the coming year and the council tax for the District. Based on consideration of the information in the report, the Cabinet needs to make recommendations to the Council meeting in February where the total council tax, including the element relating to preceptors, will be decided.

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Section A - Financial Context and Base Budget position

- 5.2 In December the Cabinet considered the draft service budgets and information available at that stage on the overall position related to Government funding.
- 5.3 On 15 December the Government announced the provisional Local Government financial settlement for 2017/18.
- 5.4 For Chiltern the following table shows the key figures for 2017/18.

	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
Business Rate Baseline	8,062	8,216	8,284	8,352
Business Rate Tariff	-6,732	-6,861	-6,918	-6,958
Baseline Need	1,330	1,355	1,366	1,394
Revenue Support Grant (RSG)	1,506	1,125	407	0
Settlement Funding Assessment	2,836	2,480	1,773	1,394
Year on Year Change (£k)		-356	-707	-379
Year on Year Change (%)		-13%	-29%	-21%

- 5.5 The table illustrates the continuing material reduction in funding to the Council that had been anticipated.
- 5.6 Funding reductions will continue in future years. In particular current indications are that in 2019/20 CDC will be subject to an additional tariff payment "negative RSG" of £848k.
- 5.7 The Business Rate Baseline represents the Government's estimate of the amount of business rates it anticipates the Council will collect. However income from Business Rates can be materially affected by appeals lodged by businesses with the Valuation Office. Successful appeals will reduce the business rates collectable.
- 5.8 Growth in business rates above the Baseline are currently subject to a 50% levy, with the levy being additional payments to the Government. The amount of the levy can be reduced if groups of authorities pool their business rates and payments to the Government. As Chiltern and two other Bucks Districts, South Bucks and Aylesbury Vale, expect to have business rate growth, they have formed a pool for 2017/18 in order to retain more of the growth.

Section B - Investment Income and Grants

- 5.9 The Council's Treasury Management Strategy for 2017/18, which is also being considered at this meeting, sets out the approach aiming to deliver investment income for 2017/18 of £100k.
- 5.10 In 2017/18 the Council also expects to incur borrowing costs, in order to fund the extension of the Amersham Multi Storey Car Park, dependant on Members approving a detailed business case during the course of the year.

- 5.11 An important source of grant funding for the authority is the New Homes Grant that rewards authorities for each new home by providing a grant equivalent to the national average Band D council tax for a number of years following completion of the property. The cumulative funding the Council will receive in 2017/18 from this source is £1,126k, an increase on the current year of £79k.
- 5.12 The Government has made a number of changes to the New Homes Grant system this year as follows:
- The number of years that the reward will be paid for (currently 6 years in 2016/17) will reduce to 5 years in 2017/18 and 4 years from 2018/19.
 - Introducing a minimum baseline for housing growth numbers of 0.4%. Grant is only received for growth above this baseline. For Chiltern this is approximately 198 units.
- 5.13 This year there is no offer of a Council Tax Freeze grant.

Section C - Budget Requirement and Council Tax Issues

- 5.14 Since Cabinet reviewed the draft budget in December there have been six adjustments as follows:
- Extra income from green waste charges £36k.
 - Extra income from car park charges £202k.
 - Extra expenditure to investigate setting up a Community Infrastructure Levy £50k – to be funded from the Planning / Local Development Fund Reserve.
 - Cost increase due to an increase in the employers' pension contribution rate £115k.
 - Cost increase for the waste contract, due to amendments to the indexation and housing number estimates £91k.
 - Extra Local Council Tax Admin Support grant £16k.
- 5.15 The build-up of the budget, based on a 1.9% increase in the District council tax, is summarised in the following table.

Revenue Budget	2016/17 £'000	2017/18 £'000
Leader	624	641
Community, Health & Housing	1,722	1,818
Customer Services	1,067	1,203
Environment	1,368	1,565
Support Services	3,309	3,147
Sustainable Development	1,235	1,132
Trading Undertakings	-221	-223
Net Cost of Services	9,104	9,283

Revenue Budget	2016/17 £'000	2017/18 £'000
Investment Income	-140	-100
Notional Interest on Refuse Vehicles	54	37
Borrowing costs	-	98
Payment to Parishes	29	-
Use of Earmarked Reserves		
- LDD	-163	-268
- Contribution to fund replacement refuse vehicles	394	394
- Contribution to fund capital programme	1,412	1,028
- Contribution to HS2 reserve	-	150
- Contribution to Election reserve	20	20
- Contribution to Planning Digitalisation Reserve	-	105
Budget Requirement	10,710	10,747

- 5.16 The draft budget proposes using earmarked reserves as follows:
- Local Development Document (LDD) reserve, £267,500. This is to fund the estimated costs in 2017/18 of progressing the joint Local Plan (£217,500) and the estimated cost of investigating setting up a Community Infrastructure Levy (£50,000).
- 5.17 In 2017/18 the Council is in the position of having a revenue surplus of £1,283k, and there are proposals in the report to allocate the surplus as follows:
- HS2 earmarked reserve, £150k, as a contingency against HS2 nor reimbursing the full costs of the Council's work required in the implementation of the scheme.
 - To establish an earmarked reserve of £105k, to fund the CDC share of the costs of the project to digitise planning data, that was considered by the Joint Committee in January 2017.
 - To allocate the remaining surplus, £1,028k, to the Capital Programme. The projection of the Capital programme is that capital resources would be exhausted in 2019/20 without this injection. The report on the Capital Programme on this agenda illustrates the position in more detail.
- 5.18 The draft budget has been discussed at the Resources Overview Committee and any comments received will be made known to members at the meeting. The Support Services PAG has also reviewed the level and distribution of the Council's reserves and provided advice to the Portfolio Holder.
- 5.19 The latest budget monitoring information shows that the forecast level of general reserves at the end of the current financial year to be £2,417k. Section E of the report contains the Director of Resources advice on the level of reserves.

Section D - Medium Term Financial Strategy Update

5.20 The following table sets out the current Medium Term Financial projections.

	2017/18 BUDGET	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET
	£	£	£	£	£
<u>Income</u>					
Non Domestic Rates (NDR) - Baseline	(1,394)	(1,435)	(1,480)	(1,525)	(1,571)
Non Domestic Rates (NDR) - Growth	(300)	(300)	(300)	0	0
Revenue Support Grant	0	0	0	0	0
New Homes Grant	(1,126)	(641)	(719)	(557)	(419)
General Grants - Transition Grant	(100)	0	0	0	0
General Grants - Other	0	0	0	0	0
Tariff / Top Up Adjustment	0	0	848	848	848
Interest & Investment Income Receivable	(100)	(60)	(40)	(40)	(40)
Collection fund (surplus)/deficit - Council Tax	(114)	(114)	(114)	(114)	(114)
	(3,135)	(2,549)	(1,806)	(1,388)	(1,295)

<u>Service Expenditure</u>					
Leader Portfolio (ID)	641	654	667	680	694
Community, Health & Housing (GH)	1,818	1,855	1,892	1,930	1,968
Customer Services Portfolio (FW)	1,203	1,227	1,252	1,277	1,302
Environment (MSm)	1,565	1,596	1,628	1,660	1,694
Support Services (MSt)	3,147	3,210	3,274	3,339	3,406
Sustainable Development Portfolio (PM)	1,132	1,154	1,177	1,201	1,225
Trading Undertakings (MSm)	(223)	(228)	(232)	(237)	(242)
<u>New Pressures</u>					
Additional Pension Deficit Contribution	0	0	0	0	0
Council Elections - Fund from reserves	0	0	70	0	0
Waste retender - Procurement Costs	0	0	100	100	0
Waste retender - Cost Change	0	0	0	150	150
Infrastructure Mitigation (ie HS2)	0	0	0	0	0
<u>New Savings</u>					
Planning Shared Service	0	(42)	(155)	(189)	(189)
Net additional income from AMSCP expansion	0	8	(37)	(83)	(116)
Increased income from car parks generally	0	0	0	0	0
Phase 3 Stronger in Partnership Savings	0	(100)	(150)	(250)	(250)
Net additional income from new Chilterns Pools	0	0	(200)	(350)	(450)
Chiltern Crematorium Surplus - Current	0	0	(250)	(250)	(250)
Net Cost of Services	9,282	9,334	9,035	8,979	8,943

	2017/18 BUDGET	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET
Other Expenditure					
Notional Interest Payable - Refuse vehicles	38	22	7	0	0
Borrowing Costs - Interest	98	391	681	767	747
Borrowing Costs - MRP Repayment (40 yrs)	0	196	586	776	757
	136	609	1,274	1,543	1,504

Contributions to / (from) Reserves					
Contribution to / (from) LDF Fund	(268)	(268)	(268)	(268)	(268)
Contribution to Capital Prog - Refuse Vehicles	394	394	394	394	394
Contribution to Capital Prog - Other	913	0	0	0	0
Contribution to / (from) HS2 Reserve	150	0	0	0	0
Contribution to / (from) Elections Reserve	20	20	(70)	20	20
Contribution to / (from) Other Reserves	105	0	(100)	(100)	0
	1,314	146	(44)	46	146

Precept Required	7,713	7,540	8,460	9,180	9,298
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COUNCIL TAX CALCULATION					
Tax base	43,918	44,118	44,368	44,668	44,968
Tax Rate (Band D)	175.62	180.62	185.62	190.62	195.62
Precept Collectable	7,713	7,969	8,236	8,515	8,797

Savings Required	0	429	(225)	(665)	(502)
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Assumptions

- Government (RSG) funding assumed to reduce in line with the information contained in the provisional Local Government Settlement, including the effect of the additional tariff. From 2020/21 onwards an estimate has been made of £300k for the cost to the Council of the outcomes of the Government's "Fair Funding" review of local authority funding, and the full rebasing of the business rates top up and tariff arrangements.
- The forecast growth in business rates for 2017/17 (£300k after 50% levy) is assumed to be sustained over the period to 2020/21, and that full retention of business rates comes into effect in 2019/20, enabling all the growth to be retained locally.
- Continued growth in housing numbers resulting in continued New Homes Grant.
- Expenditure assumed to increase for planning purposes by broadly 2% per annum approximately as a result of cost pressures.
- Council tax assumed to increase by £5 per annum.

5.21 The forecast table shows the potential future funding gap for the Authority that develops from 2019/20. The forecast deficit position for 2019/20 essentially arises from the introduction as part of the 2016/17 Settlement of the additional tariff ("negative RSG"), potential additional reduction in resources as a result of Government policies, and the borrowing costs associated with the potential leisure centre redevelopment.

5.22 The picture is clearly one that shows of a continuing need to identify means of reducing net costs in the coming years. What the Authority has achieved to date has put it in the position where it can plan towards savings over more than one year. Also as council tax becomes increasing the main source of funding for the Council that it can influence, decisions on the level of the tax become important to the Council's medium term financial strategy.

5.23 In the medium term the key financial risks facing the Authority are:

- Responding to the significant reduction in Government funding, and the Council's ability to adjust its net expenditure base to cope with the reductions.
- The cost of waste services in the context of the waste disposal arrangements for Bucks.
- The cost of public inquiries or responding to major national infrastructure proposals affecting the District

Section E - Advice of the Director of Resources

5.24 The detailed advice of the Director of Resources as the Authority's statutory financial officer is set out in Appendix A. In summary the key points of the advice are as follows.

- The estimates for 2017/18 have been prepared in a thorough and professional manner.
- The key budget risks have been identified.
- The main financial risks to the Council for the coming year have been assessed as follows.
 - Shortfall on income targets.
 - The cost of major planning inquiries, enforcement actions or responding to national infrastructure proposals that impact on the area. Specific earmarked reserves exist to cover these matters.
 - The costs of temporary accommodation, and supporting housing solutions. Specific earmarked reserves exist to cover some of these matters.

5.25 The suggested prudent level of general reserves for 2017/18 is £900k. The Appendix also sets out the estimated level of earmarked reserves at the end of 2016/17.

5.26 In the medium term the Authority will continue to face risks from:

- Managing the gap between cost increases the Council will face year on year, and the continued significant reductions in government funding, and the limitation of council tax increases. Key to managing this risk will be identifying further savings for the years from 2019/20 onwards.
- The costs of reaching and enforcing the Council's planning decisions, or responding to major national infrastructure proposals.
- The costs of the Authority's waste collection and recycling services in the context of Bucks CC's disposal arrangements.

6. Consultation

6.1 The draft budget has been considered by the Resources Overview Committee.

7. Options

7.1 The report sets out the position based on increasing the district element of the council tax to £175.97.

7.2 There is the option of not increasing the Council Tax. This would result in less resource being available to fund the capital programme and the funding gap increasing in future years.

7.3 There is also the option of increasing the Council by more than the referendum threshold of £5. However it is not considered realistic to consider a local referendum due to the cost of organising a referendum, and the risk of voters not supporting any additional increase in Council Tax.

8. Corporate Implications

8.1 The strategic and financial risks facing the Authority are set out in the report.

9. Links to Council Business Plan

9.1 The Council's code of corporate governance highlights the importance of having in place clearly documented processes for policy development, review and implementation, decision making, and monitoring and control. Following from this is the requirement for sound financial management, being able to demonstrate resources are aligned to the corporate priorities of the Council, and that any material risks are assessed. Establishing a sound and sustainable financial base is important for delivering the Council's objectives.

10. Next Steps

10.1 The report and Cabinet's decisions will form the basis of the Council tax decision of the Council on 28 February.

10.2 A report will be produced for the Council meeting bringing together the precepts that have been notified to the Council, from parishes and the major precepting bodies. This will then enable the Council to set the overall council tax for the area.

Background Papers:	None
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