

SUBJECT:	BUDGET & COUNCIL TAX REPORT 2018/19
REPORT OF:	Support Services Portfolio Holder
RESPONSIBLE OFFICER	Director of Resources
REPORT AUTHOR	Jim Burness (JBurness@chiltern.gov.uk)
WARD(s) AFFECTED	All

1. Purpose of Report

- 1.1 This report provides information affecting the Council's revenue budget for 2018/19 in order for the Cabinet to make recommendations to Council on 28th February regarding the Council's budget and council tax for 2018/19.

RECOMMENDATIONS

Revenue Budget 2018/19

1. Approve the Revenue budget for 2018/19 as summarised in the table in paragraph 4.15, and recommend this to Council.
2. Agree the following use of earmarked reserves for 2018/19:
 - Local Development Plan £240k
 - Planning Digitalisation £95k
 - Economic Development Reserve £58k
3. Agree the following additions to earmarked reserves for 2018/19:
 - Capital – Funding replacement refuse vehicles £394k
 - Capital – Funding of capital programme £631k
 - Elections £20k
4. Approve a budget requirement of £10,493k, which will result in a District council tax of £180.88 for a Band D property.
5. Confirm the level of fees and charges for 2018/19 (Appendix C).
6. Note the advice of the Director of Resources (Appendix A).

Setting the Council Tax

7. 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

8. To note the comments in the report on the Council's financial position in respect of the years following 2018/19 and the updated Medium Term Forecast.

2. Executive Summary

- 2.1 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.

3. Reason for Recommendations

- 3.1 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.
- 3.2 When considering its budget the Council needs to be mindful of the medium term financial position, and this is covered within this report.

4. Information

- 4.1 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.

Contents of Report

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Section A - Financial Context and Base Budget position

- 4.2 On 12th December the Cabinet considered the draft service budgets and information available at that stage on the overall position related to Government funding.
- 4.3 On 19th December the Government announced the provisional Local Government financial settlement for 2018/19.
- 4.4 For Chiltern the following table shows the key figures for 2018/19.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Business Rate Baseline	8,062	8,216	8,284	8,352	8,637
Business Rate Tariff	-6,732	-6,861	-6,918	-6,958	-7,201
Baseline Need	1,330	1,355	1,366	1,394	1,436
Revenue Support Grant (RSG)	1,506	1,125	407	0	0
Transitional Grant	0	0	134	100	0
Total	2,836	2,480	1,907	1,494	1,436
Year on Year Change (£k)		-356	-573	-413	-58
Year on Year Change (%)		-13%	-23%	-22%	-4%

- 4.5 The table illustrates the continuing reduction in funding to the Council that had been anticipated on the basis of the Council having accepted the Government's offer of a 4 Year confirmed funding arrangement.
- 4.6 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. This is due to the fact that in the funding system Chiltern is seen as a low needs and high resource authority.
- 4.7 The Business Rate Baseline represents the Government's estimate of the amount of business rates it anticipates the Council will collect and retain. 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.
- 4.8 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 formed a pool for 2016/17 and 2017/18 in order to retain more of the growth, and will be continuing this in 2018/19.

Section B - Investment Income, Borrowings and Grants

- 4.9 The Council's Treasury Management Strategy for 2018/19, which is also being considered at this meeting, sets out the approach aiming to deliver investment income for 2018/19 of £90k.
- 4.10 In 2017/18 the Council borrowed £10.8m in order to fund the extension of the Amersham Multi Storey Car Park.
- 4.11 In 2018/19 the Council may also incur borrowing costs, in order to fund the replacement of the aging Chiltern Pools, dependant on Members approving a detailed business case during the course of the year.
- 4.12 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 2018/19 from this source is £617k, a reduction on the current year of £509k.
- 4.13 This reduction is because the Government has made a number of changes to the New Homes Grant system as follows:
- The number of years that the reward is paid for is reducing (6 years in 2016/17, 5 years in 2017/18 and 4 years from 2018/19).
 - Introduced a minimum baseline for housing growth numbers of 0.4%. Grant is only received for growth above this baseline. For Chiltern this baseline is approximately 198 units.

Section C - Budget Requirement and Council Tax Issues

- 4.14 Since the December Cabinet meeting there have been a few amendments to the draft budget as detailed in the table below:

Budget Changes	£'000
Increase in pay bill due to payrise now being estimated at 2%	78
Change to waste indices affecting contract costs	13
Reduction in external audit charge	-5
20% increase in planning fees	-172
Saving on grounds maintenance costs from new contract	-12
Creation of a new Economic Development Team. The cost to be shared between CDC and SBDC, with the CDC cost being met from the Economic Development Reserve (£58k). See Joint Staffing Committee papers 18 th January.	58
Other minor changes	6
Change in Net Cost of Services	-34

4.15 The overall effect of these changes is summarised in the following table. The Budget Requirement of £10,493k will result in a council tax increase of 3%.

Revenue Budget 2018/19	Cabinet 12 Dec 17 £'000	Changes (see above) £'000	Current Figures £'000
Leader	690	15	705
Community, Health & Housing	1,766	13	1,779
Customer Services	1,176	8	1,184
Environment	1,221	10	1,231
Support Services	3,371	12	3,383
Sustainable Development	1,267	-92	1,175
Net Cost of Services	9,491	-34	9,457
Investment Income – Estimate increased	-60	-30	-90
Notional Interest on Refuse Vehicles	22	-	22
Borrowing costs	356	-	356
Funding of R&R Programme	96	-	96
Use of Earmarked Reserves			
- LDD – LDF estimate reviewed in line with planned spend	-464	328	-136
- LDD – CIL	-50	-8	-58
- LDD – Shared Service Implementation	-46		-46
- Planning Digitalisation Reserve	-95	-	-95
- Economic Development Reserve	-	-58	-58
Contribution to Reserves			
- To fund replacement refuse vehicles	394	-	394
- To fund capital programme	842	-211	631
- To Election reserve	20	-	20
Budget Requirement	10,506	-13	10,493
Business Rates – Baseline	-1,439	3	-1,436
Business Rates - Growth	-300		-300
RSG	0		0
New Homes Grant	-639	22	-617
Other Govt Grants	0		0
C/Tax Collection Fund Surplus	-114		-114
Precept on Collection Fund	8,014	12	8,026

4.16 The draft budget proposes using earmarked reserves as follows:

- Local Development Document (LDD) reserve, £239,917. This is to fund the estimated costs in 2018/19 of progressing the joint Local Plan (£136,300), the estimated cost of investigating setting up a Community Infrastructure Levy (£58,058), and cost associated with the shared service implementation (£45,559).
- Planning Digitalisation Reserve £95,172.
- Economic Development Reserve £58,000.

- 4.17 In 2018/19 the Council is in the position of having a revenue surplus of £631k, and it is proposed to allocate this to the Capital Programme to ensure that the capital programme is able to be fully funded. The report on the Capital Programme on this agenda illustrates the capital position in more detail.
- 4.18 The draft budget has been discussed at the Resources Overview Committee and any comments received will be made known to members at the meeting.
- 4.19 The latest budget monitoring information shows that the forecast level of general reserves at the end of the current financial year to be £4.1m. Section E of the report contains the Director of Resources advice on the level of reserves.
- 4.20 Appendix C contains the schedule of the proposed fees & charges for the 2018/19 budget.

Section D - Medium Term Financial Strategy Update

- 4.21 The Council's medium term financial strategy which underpins the specific decisions taken on the budget, sets out show how the Council's corporate aims can be progressed within the likely level of resources available to the Council.

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

	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET	2022/23 BUDGET	2023/24 BUDGET	2024/25 BUDGET
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Income</u>							
Non Domestic Rates (NDR) - Baseline	(1,436)	(1,480)	(1,524)	(1,570)	(1,617)	(1,666)	(1,716)
Non Domestic Rates (NDR) - Growth	(300)	(300)	(300)	(300)	(300)	(300)	(300)
New Homes Grant	(618)	(693)	(466)	(263)	(341)	(422)	(329)
General Grants - Other	0	0	0	0	0	0	0
Tariff / Top Up Adjustment	0	848	948	1,048	1,148	1,148	1,148
Interest & Investment Income Receivable	(90)	(40)	(40)	(40)	(40)	(40)	(40)
Collection fund (surplus)/deficit - Council Tax	(114)	(60)	(30)	(15)	(8)	(8)	(8)
	(2,558)	(1,725)	(1,412)	(1,140)	(1,158)	(1,288)	(1,245)

<u>Service Expenditure</u>	9,457	9,646	9,839	10,036	10,237	10,442	10,651
Repairs & Renewals Programme Funding	95	100	100	100	100	100	100
<u>New Pressures</u>							
Additional Pension Deficit Contribution	0	40	81	81	81	81	81
Council Elections - Fund from reserves	0	70	0	0	0	70	0
Waste retender - Procurement Costs	0	100	100	0	0	0	0
Waste retender - Cost Change	0	0	150	150	150	150	150
Infrastructure Mitigation (ie HS2)	0	0	0	0	0	0	0
<u>New Savings</u>							
Planning Shared Service	0	(155)	(189)	(189)	(189)	(189)	(189)
Net additional income AMSCP expansion	0	(70)	(122)	(180)	(223)	(223)	(223)
Increased income from car parks generally	0	(50)	(50)	(100)	(100)	(100)	(100)
Phase 3 Stronger in Partnership Savings	0	(150)	(250)	(250)	(250)	(250)	(250)
Net additional income from new Chilterns Pools	0	0	(518)	(1,037)	(1,333)	(1,333)	(1,333)
Chiltern Crematorium Surplus - Current	0	(250)	(250)	(250)	(250)	(250)	(250)

	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET	2022/23 BUDGET	2023/24 BUDGET	2024/25 BUDGET
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chiltern Crematorium Surplus - New Crem	0	0	(50)	(100)	(150)	(150)	(150)
	9,552	9,281	8,841	8,261	8,073	8,348	8,487

<u>Other Expenditure</u>							
Notional Interest Payable - Refuse vehicles	22	7	0	0	0	0	0
Borrowing Costs - Interest - Car Park	289	284	280	276	271	266	261
Borrowing Costs - Interest - Leisure Centre	68	540	810	802	794	786	778
Borrowing Costs - MRP - Car Park	0	270	270	270	270	270	270
Borrowing Costs - MRP - Leisure Centre	0	0	0	750	750	750	750
	379	1,101	1,360	2,098	2,085	2,072	2,059

<u>Contributions to / (from) Reserves</u>							
Contribution to / (from) LDF Fund	(240)	(240)	(240)	(240)	(240)	(240)	(240)
Contribution to / (from) Planning Digitalisation	(95)	0	0	0	0	0	0
Contribution to / (from) Economic Dev	(58)	(58)	0	0	0	0	0
Contribution to Capital Prog - Refuse Vehicles	394	394	394	394	394	394	394
Contribution to Capital Prog - Other	631	0	0	0	0	0	0
Contribution to / (from) Elections Reserve	20	(70)	20	20	20	(70)	20
Contribution to / (from) Other Reserves	0	(100)	(100)	0	0	0	0
	652	(74)	74	174	174	84	174

Precept Required	8,025	8,583	8,863	9,393	9,174	9,216	9,475
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COUNCIL TAX CALCULATION							
Tax base	44,369	44,569	44,819	45,069	45,319	45,569	45,819
Tax Rate (Band D)	180.88	185.88	190.88	195.88	200.88	205.88	210.88

	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET	2022/23 BUDGET	2023/24 BUDGET	2024/25 BUDGET
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Precept Collectable	8,025	8,284	8,555	8,828	9,104	9,382	9,662
Savings Required	0	(299)	(308)	(565)	(70)	166	187

- 4.23 This shows a potential funding gap for the Authority for the period 2019-23. However in the longer term planned future savings help address this gap.
- 4.24 The picture is one that shows of a continuing need to reduce 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.
- 4.25 Furthermore 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.

Section E - Advice of the Director of Resources

- 4.26 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 2018/19 have been prepared in a thorough and professional manner.
 - The key budget risks and sensitivities have been identified.
 - The main financial risks to the Council for the coming year have been assessed as follows.
 - Shortfall on income targets (See Appendix B Sensitivity Analysis).
 - The cost of major planning inquiries, enforcement actions or responding to national infrastructure proposals that impact on the area.
 - The costs of temporary accommodation, and supporting housing solutions.

Specific earmarked reserves exist to cover some of these matters.

- 4.27 The suggested prudent level of general reserves for 2018/19 is £900k. The Appendix also sets out the estimated level of earmarked reserves at the end of 2017/18.
- 4.28 In the medium term the Authority will continue to face risks in delivering its corporate plan objectives in the context of the continuing limitation on external funding resources.
- 4.29 There are a number of key financial risks to be aware of in the medium term and these are set out in the following table.

Risk	Response
Managing the gap between cost increases the Council will face year on year, and the continued significant reductions in Government funding, and the limitation on council tax increases.	Key to managing this risk will be identifying further savings. In addition monitoring and forecasting council tax and business rate income will be important.
Shortfall in anticipated additional income from major investment projects.	Major investment projects are supported by business cases based on prudent income assumptions, and sensitivity analysis. Income levels will be monitored to assess actual income against expectations.

Risk	Response
The costs of reaching and enforcing the Council's planning decisions, or responding to major national infrastructure proposals.	Proportional action needs to be taken and appropriate reserves maintained.

Section F – Reserve Adjustments

4.30 The Support Services PAG has reviewed the level and distribution of the Council's reserves and provided advice to the Portfolio Holder.

4.31 The following changes to earmarked reserves are therefore proposed.

Description	31/3/18 £k (pre changes)	31/3/18 £k (post changes)	Recommended change in reserves	Comment
Rent Deposit/Private Leasing and Homelessness/Repossession prevention reserve	45	80	+35	To provide funding to assist households in accessing affordable housing and reducing temporary accommodation and avoiding homelessness
Community Support Reserve	12	30	+18	Funding secured in previous years to be used to support community safety projects.
Waste Initiatives Reserve	294	290	-4	Reserve established to provide support for delivery of waste and recycling projects across the District
Pension Fund	0	300	+300	To provide scope for additional pension deficit contributions if considered appropriate at time of next revaluation (2020).
Repairs & Renewals Fund	45	100	+55	For the replacement of vehicles, plant, machinery and equipment as required and as a contingency for major repairs to buildings as part of the capital programme
Capital Projects Reserves	3,370	2,966	-404	This reserve is held to provide resources for capital expenditure.
Total			Nil	

5. Consultation

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

6. Options

- 6.1 The report sets out the position based on increasing the district element of the council tax to £180.88 (a 3% increase).
- 6.2 There is also 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.
- 6.3 There is also the option of increasing the Council by more than the referendum threshold of 3%. 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.

7. Corporate Implications

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

8. Links to Council Business Plan

- 8.1 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.

9. Next Steps

- 9.1 This report and Cabinet's decisions will form the basis of the Council tax decision of the Council on 28 February.
- 9.2 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:	Draft Revenue Budget Report 2018/19 – Cabinet 12 Dec 17
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