

SUBJECT:	DRAFT REVENUE BUDGET 2017/18
REPORT OF:	Leader of the Council
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WARD/S AFFECTED	All

1. Purpose of Report

- 1.1 To present the draft revenue expenditure budget for 2017/18.

RECOMMENDATIONS

1. The Cabinet considers the report and agrees that it forms the basis of the draft revenue budget for 2017/18, updated to reflect the outcomes of the Local Government Finance Settlement and related announcements.

2. Officers are instructed to examine options to reduce the planned use of the General reserves in the draft 2017/18 budget.

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. This report describes the progress to date based on:
- The financial outturn for 2015/16 and information from the current year's budget monitoring.
 - The draft 2017/18 base budget built up using assumptions described in the report and which has been subject to discussion in PAGs
- 2.2 The draft budget is set within the context of the Medium Term Financial Strategy (MTFS), the updated version of which was approved by the Council in November. The MTFS indicated that:
- The Council would increase the council tax by £5 in 2017/18.
 - The Council would undertake prudential borrowing to support major investment projects and therefore would incur borrowing costs and see a reduction in investment income.
- 2.3 The overall PAG expenditure budget reflects a 1.3% reduction on the current year's budget. The provisionally planned use of General reserves is £183k.

- 2.4 The key points from the Government's Autumn Statement are contained in Appendix C.

3. Reason for Recommendations

- 3.1 Members need to consider the service expenditure part of the budget, and that the overall budget is consistent with the MTFs. The overall budget will be finalised in February once all the details of Government funding are known.

4. 2015/16 Outturn & Current 2016/17 Position

- 4.1 The revenue budget outturn for 2015/16 is summarised in Appendix A. The key points to note from the outturn is that the overall expenditure funded from the council tax (Budget Requirement) was £301k less than budgeted, allowing for this sum to be added to the General Reserve.
- 4.2 At the end of the year, the Council's usable General Fund reserve stood at £2.480m. In addition, the Council has earmarked reserves of £3.026m including £668k for the Local Plan Development, and £253k for the costs of service transformation. Within the overall figure is £1.939m in respect of s106 funding.
- 4.3 In the current year the one significant budget issues identified in the first half of the year is the projected shortfall of £150k on investment income. This is forecast to be offset by additional retained business rate income as a result of the Council being part of a Buckinghamshire business rates pooling scheme in the current year.

5. Draft Revenue Budget 2016/17

- 5.1 The budgets have been prepared in accordance with the following inflation assumptions:
- Salaries inflation from April 2017 of 1%
 - Contracts inflation 2% (unless different rate specified within contract)
 - Business rates 2.5%
 - Gas 4.0%, Electricity 4.0% and Water 4.0%
 - Insurance 0.5%
 - Other 0%
- 5.2 Investment income has been budgeted to reduce to £200,000 to reflect lower returns forecast in the current year. This is the result of the continued low interest rate environment, and the Council's strategic plans for a number of significant investment projects that will reduce its surplus cash available for investment and lead it to undertake prudential borrowing. This estimate will be finalised when the Treasury Management Strategy is considered by the Cabinet in February.
- 5.3 The draft budget based on the information presented to PAGs is summarised in the following table. The draft budget has a working assumption of a £5 increase in Council Tax and a Council Tax Base figure of 32,465 (which is a 1.5% increase on the council tax base for 2016/17).

	2017/18 £k
Environment Portfolio	2393
Healthy Communities Portfolio	1265
Resources Portfolio	3218
Sustainable Development Portfolio	1035
Total PAG Budgets	7911
Pension Fund Contribution	50
Capital Charges etc	211
Borrowing costs	100
Investment Income	-200
Use of Earmarked Reserves	
- LDD	-219
- Transformation	-5
Use of General Reserve	-183
Budget Requirement	7665

- 5.4 The total net expenditure across the PAGs, £7,911k represents a 1.3% reduction on the equivalent figure for 2016/17. Appendix B shows the breakdown of the total budget by expenditure/income headings. The detailed budgets for each Portfolio area are contained in the reports to the various PAGs.
- 5.5 The draft budget makes an allowance of £50k for the initial impact of the 2016 Pension Fund revaluation. The details will be made available to the Council during December by the Fund Actuary and the provisional figure will be reviewed as part of finalising the budget in February, in the light of the information.
- 5.6 When finalising the budget in February one of the issues to consider will be the level of reserves, general and earmarked, should be. The draft budget assumes £183k use of the General reserve, to support the budget, but this will be reviewed as part of finalising the budget. This use of reserves is significantly less than what was anticipated when updating the MTFS earlier in the year.

6. Autumn Statement and Finance Settlement 2017/18

- 6.1 On 23rd November in the Autumn Statement the Government announced that it would not be seeking to balance the public finances by 2020, and was to leave in place the Departmental spending plans set by the 2015 Spending Review. Whilst this implies for the local government sector as a whole that the financial position is not expected to get significantly tighter, it does not necessarily mean that would be the case for every individual authority. This will become clearer when the Provisional Local Government Finance settlement is announced.
- 6.2 Appendix C outlines the main points from the Autumn Statement/Spending Review as they affect local government. There are four planned areas for investment

- Accelerate new housing supply;
- Tackle congestion on the roads;
- Support the market to roll out full-fibre connections and future 5G communications;
- Enhance the UK's position as a world leader in science and innovation.

6.3 The one most likely to have some potential impact on district councils are the measures to accelerate new housing supply, the details of which are awaited.

6.4 The other point of note is the Government has announced the details of the transitional relief arrangements for business following the revaluation of business rates from April 2017. This will determine how the impact of changes on individual business is phased in. It should not have a direct impact on the Council's finances, if as has been the case in the past, the Government funds centrally the costs of transition.

6.5 The details of the 2017/18 Finance Settlement are announced in December. The main issues of note for the Council are:

- The revised New Homes Grant arrangements.
- The impact of the business rates revaluation on the Council's business rates baseline and tariff assessments.

7. Risks

7.1 The key financial risks to be aware of in the medium term and these are set out in the following table.

Risk	Response
Uncertainty over impact of retention of business rates and the general level of future Government funding.	In the short term the Council's income from business rates is affected by the general state of the economy but mainly by decisions of the VOA on valuation appeals. In the medium term the changes from 2019/20 onwards affecting business rate retention and the Government's distribution of funding may have significant implications which will need to be allowed for in the MTFS as information emerges.
Growing mismatch between the local supply and demand of affordable housing increases pressure on temporary accommodation budgets.	Temporary accommodation budgets monitored, and options to provide temporary accommodation are explored. Efforts made to identify sites for affordable

Risk	Response
	<p>housing developments.</p> <p>Funding made available via s106 agreements and other sources are effectively used.</p> <p>Planning policies seek to narrow the supply and demand gap.</p>
<p>The Pension Fund deficit requires the Authority to continue to increase contributions to the Fund.</p>	<p>The advice from the Fund Actuary following the 2016 Fund Valuation will inform the Council's decisions on the matter which will be reflected in the final 2017/18 budget.</p>

8. Corporate Implications

- 8.1 This report sets out an initial draft Net Revenue Expenditure Budget for 2017/18. The draft budget will be combined with the information from the Provisional Local Government Finance Settlement to produce a final draft revenue budget in February for the Cabinet to consider. The final budget will also take into account information from the Pension Fund Actuary on the funding position and any actions the Council needs to consider.
- 8.2 It is a legal requirement that the revenue budget is balanced, and has been scrutinised by Members. The final draft budget that will be considered by the Cabinet in February will be scrutinised by Overview & Scrutiny Committee at the beginning of February.
- 8.3 The strategic and financial risks facing the authority are set out in the report. The Medium Term Financial Strategy financial information will be updated as part of the report to Cabinet in February 2017.

9. Links to Council Policy Objectives

- 9.1 The budget is essential to achieving all of the Council's objectives and priorities.

10. Next Steps

- 10.1 Government announces provisional funding details for 2017/18, and confirms final funding in the latter part of January 2017.
- 10.2 Budget for final consideration by Cabinet in February prepared and consultation undertaken with Overview & Scrutiny Committee on 30th January 2017.
- 10.3 Cabinet, 8th February 2017, makes recommendations on revenue budget and council tax level to Council, 1st March 2017.

Background Papers:	None
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