

## **REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX SETTING 2018/19**

**Cabinet Member:** Councillor David Watson

**Wards Affected:** All

**Officer contact:** David Skinner      Email: David.Skinner@wycombe.gov.uk

### **Recommendations**

The Cabinet is requested to recommend to the Council to:

#### **Revenue Budget**

- (a) Set the Council Tax requirement for the Council of £9.327m for 2018/19;
- (b) Approve the base estimates for 2018/19 as shown in paragraph 31 with further details in Appendix A;
- (c) Approve the repairs and renewals fund programme totalling £0.526m for 2018/19 (Appendix B);
- (d) The Higginson Park Trust budget for 2018/19 as set out in Appendix C;
- (e) The Special Expenses budgets for High Wycombe Town Committee for 2018/19 totalling £0.376m (Appendix D);
- (f) The Special Expenses estimate for West Wycombe closed churchyard for 2018/19 totalling £3,200, set out at Appendix E,
- (g) Note the Fees and Charges schedule for 2018/19 as set out in Appendix F;
- (h) Note that this budget paper, when approved by Council will form part of the Medium Term Financial Plan and
- (i) Approve the statement by the Chief Finance Officer regarding the robustness of the budget estimates and level of reserves as set out in Appendix G.

#### **Council Tax**

- (j) Increase the Council Tax for a Band D property by £5 to £136.99 for 2018/19. All the seven options for Council Tax as detailed in paragraph 53 were considered before making the decision.
- (k) That the Council pays to each Parish Council and Special Expenses a share of the Council Tax Support grant necessary to mitigate the projected impact of the reduction to their respective Council Tax Base following the introduction of Council Tax Support. In 2018/19 at a total cost of £94k.

## Capital Programme

- (l) Approve the 2018/19 Capital Programme of **£45.358m** as detailed in Appendix H;
- (m) Note the expected capital receipt schedule as detailed in Appendix I; and
- (n) Note future capital programme from 2018/19 to 2022/23 totalling **£135.289m**. This is to recognise the actions already taken and support further actions to ensure that the programme is affordable and is adequately resourced to deliver.

## Budget Task and Finish Group

- (o) To note the recommendations from the Budget Task and Finish group and proposed responses as set out at Appendix J.

## Reason for Decision

The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget. Approval of the revenue estimates and capital programme constitutes authority for incurring of expenditure in accordance with approved policies.

### Corporate Implications

The financial implications are integral part of this report.

Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirements in accordance with the prescribed requirements of that section. This requires consideration of the authority's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.

## Executive Summary

1. The draft revenue budget presented to December Cabinet had a funding gap of £0.130m. Further work has been carried out to identify savings of £0.130m to balance the remaining funding gap. This represents the commitment of Council to deliver sustainable savings while protecting and continuing to invest in service delivery. This reflects the robust and proactive financial planning taken by the Council in light of continuing cuts to government funding for local government, alongside a growing population driving an ever increasing demand for locally provided services.

2. This report sets out the final revenue budget and capital programme proposals for 2018/19 following extensive work with Budget Holders and Cabinet Members. Within the budget proposals there are some areas of uncertainty and risk which are set out in the body of the report.
3. The Medium Term Financial Plan (MTFP) has been updated to reflect the impact of these budget proposals and is summarised in the table below. A full review of the MTFP will be carried out and reported to Cabinet in Summer 2018

MTFP Projections	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Latest	0.185	0.628	0.718	1.009	1.673
February 2017	0.440	1.104	1.262	1.250	1.859

## Background

4. The budget for 2018/19 has been prepared in line with the Council's Corporate Plan and the Medium Term Financial Plan. The vision of the Council is to be economically strong and the place to live, work and visit. This vision is supported by four key priorities as detailed below:
  - Place – Great place to be
  - People – Strong Communities
  - Prosperity – Growth and Prosperity
  - Progress – Efficient and Effective
5. The 2018/19 budgets have been produced to ensure that the Council maintains a sustainable financial position.
6. There has been a series of budget briefings and planning meetings throughout the budget cycle involving Portfolio Holders, members of the Council's leadership team, Heads of Services, Budget Managers and Finance Team. In addition, there have been briefings for Budget Task and Finish group during September and October, during which Members considered the 2017/18 forecast outturn position and the impact on 2018/19 budgets.

## The 2017 Local Government Finance Settlement

7. On 19 December 2017, the Secretary of State for the Department for Housing, Communities and Local Government, Rt. Hon. Sajid Javid MP, made a statement to Parliament on the provisional Local Government Finance Settlement 2018/19.
8. There were no surprises as this settlement was very much a follow on from December 2015, in which central government offered a four-year funding agreement (to 2019/20).
9. The main changes announced as part of the 2018/19 provisional settlement are set out below:-
  - **Local Government Funding Reform** - The government has published the consultation paper "Fair funding review: a review of relative needs and resources". The result of the review will be introduced in 2020/21.

- The Secretary of State also confirmed that there will be a business rates baseline reset in 2020/21 and, from 2020/21, business rates retention will be at 75% (with existing grants, including RSG and Public Health Grant incorporated into business rates retention).
- **Council Tax** – There has been an increase to the referendum limit for Council Tax from 2% to 3% to reflect the level of inflation.
- **Business Rates Pilots** - in September 2017, the government invited authorities to bid for pilot status in 2018/19. Following a competitive process, 10 areas have been successful with their applications.
- **New Homes Bonus** - the 2018/19 allocations have been announced, there have been no changes to the threshold (at 0.4%) or the eligibility of properties to qualify for the funding.
- **Rural Services Delivery Grant** – The 2018/19 funding has been increased from £50m to £65m.
- **Top Up/Tariff Adjustments** – A consultation will take place in Spring 2018 regarding the current £153m in negative RSG that remains in the 2019/20 funding allocations.
- **Revaluation 2017** - Within the business rates retention system, the NNDR baseline and top up/tariff amounts have been amended to reflect Revaluation 2017. The adjusted amounts are intended to make changes in Rateable Value revenue neutral for individual authorities; with changes to authorities' NNDR Baseline (and therefore tariff/top up) being equal and opposite to the forecast change in the ability to raise business rates locally.

10. The updated National Core Spending Power figures for the period 2015/16 to 2019/20 shows an increase of 1.5% for 2018/19 and an overall increase for the period 2016/17 to 2019/20 of 2.1%. This increase is mainly represented by higher forecast increases to Council Tax revenue due to the increase in the referendum limit to 3%.

11. The largest source of central government funding is the Settlement Funding Assessment (SFA) which consists of two funding streams: Business Rates Retention and Revenue Support Grant (RSG). Nationally, the total amount of SFA paid out by government to local authorities will reduce by 5.70% in 2018/19 down to £15.824bn. Continued reduction is planned for the final year of the four-year settlement, which will reduce the annual amount of SFA paid to £14.7bn for 2019/20, an aggregate reduction of 22% for the period 2016/17 and 2019/20.

### **Settlement Funding Assessment for Wycombe**

12. The Council benefits from two elements of funding within the Local Government Finance Settlement (which together comprise the Settlement Funding Assessment (SFA)):

- Revenue Support Grant (RSG)
- Baseline Funding (the guaranteed element of Business Rates Retention)

13. The provisional **Revenue Support Grant** for 2018/19 is £0.117m, a reduction of £0.518m (82%) from the £0.635m received in 2017/18. The trend of reducing RSG continues for the Council, down to 0 in 2019/20.
14. **Baseline Funding** is funded by Central Government through redistributed Business Rates, and the amount is determined by Government's assessment of need within Wycombe. The provisional settlement for 2018/19 is £3.219m compared to £3.125m in 2017/18.
15. Baseline Funding is part of the Government's Business Rates Retention Scheme, which is designed to incentivise local authorities to grow their local economy by enabling them to share in any increase in Business Rates income (i.e. growth in the tax base). However, under the terms of the Scheme, the reverse is also true, i.e. that local authorities must absorb a portion of the lost business rates income arising from a contraction in the tax base. Government has capped at 7.5% (£0.242m) the income that can be lost to councils from their Baseline Funding as a result of a reduced tax base. This cap is known as the 'Safety Net'.
16. There is currently a significant backlog of Business Rates valuation appeals that have been submitted by businesses across the country, including within Wycombe. The Valuation Office (VOA) is responsible for adjudicating on these appeals. Based on historical data, there is a risk that a high number of these backlogged appeals will be upheld, and that consequently Business Rates reductions will be granted to a sufficiently high number of businesses to reduce the Wycombe tax base below the 7.5% Safety Net. However, the trend for the last three years' has been a surplus over the baseline. Based on the historical trend and the uncertainty around the appeals decisions, the 2018/19 Budget assumes that the level of Business Rates grant will be at the baseline funding level.
17. As expected under the four-year settlement, the year on year reduction to the Council's **Settlement Funding Assessment** in 2018/19 is 11.3% (£0.424m) rising to 15.2% (£0.508m) in 2019/20, i.e. the remaining period of the four-year settlement. In both cases this is a significantly higher reduction than the national average for district councils, which is 7.9% for 2018/19 and 14.9% for 2019/20.
18. The reason Wycombe's SFA reduction is high relative to the district council average is that grant reductions within the four-year settlement were based on Government's assessment of each council's **Core Spending Power**. This methodology ensures that the grant reduction for each council also takes into account the amount that a council can raise locally, i.e. through Council Tax and New Homes Bonus.
19. In 2018/19, the core spending power forecasts Wycombe can generate more income locally through Council Tax, therefore, within the government's context of Core Spending Power, Wycombe can absorb a greater reduction in government funding than most district councils.

## Key Funding Streams

### New Homes Bonus

20. The provisional NHB allocation for Wycombe in 2018/19 has been announced as £1.560m. This is £0.747m less than the £2.308mm received in 2017/18. From the total receipt only £0.875m is used for revenue budget to support the service provision. The remaining £0.685m will be used to fund the capital programme.
21. The revised means of allocating NHB were announced as part of the Local Government Finance Settlement in December 2016. The key changes announced for the allocation model are:
  - A move to 5-year payments from 2017/18 and then to 4-year payments from 2018/19;
  - The introduction of a national baseline of 0.4% growth, below which no NHB will be paid – i.e. Local Authorities will only receive NHB for growth in the number of dwellings above 0.4%. Government has reserved the right to revisit this baseline annually; and
  - Government retained the option of making adjustments to the baseline in 2018/19 and future years in the event of significant and unexpected housing growth.
22. A further consultation took place in Autumn 2017 at the approach of linking a reduction in the Bonus to the number of homes granted on appeal. The outcome of this consultation is still awaited.
23. Over the medium-term (2019/20 to 2022/23), based on current forecast housing growth within the district, will result in total funding of £5.3m. This funding has been incorporated within the Medium Term Financial Plan on the assumption that the Council will continue to use only £0.875m per annum of NHB to support the provision of General Fund services, with the remainder being used to support delivery of the Capital Programme.

### Council Tax

24. The council share of the Council Tax for a Band D property has increased by £5 to £136.99 for 2018/19. The approved taxbase for 2018/19 is 68,084 based on a collection rate of 98.2%. This is net increase of 945 (1.4%) equivalent band D properties from 67,139.
25. The Council Tax requirement for 2018/19 is calculated as £9.327m.
26. The income due from Council Tax goes into the Collection Fund. Throughout the year the actual number of properties (as well as allowances for exemptions, discounts or appeals) inevitably varies from the figure estimated at the start of the year. This leads to a change in the amount of Council Tax due, and therefore a surplus or deficit on the Collection Fund.
27. The 2017/18 outturn is an estimated surplus of £2.404m approved by December 2017 Cabinet. This position has arisen primarily due to an increase in the number of new properties built, coupled with a decrease in the

requirement for Council Tax Support. This surplus is shared between the Major Preceptors, i.e. the County Council, the Thames Valley Police, the Fire Authority and the District Council, in proportion to their precepts for the year. The Council's share of the surplus is £0.261m as summarised in the table below:-

	£m
Buckinghamshire County Council	1.801
Buckinghamshire & Milton Keynes Fire Authority	0.090
Thames Valley Police	0.252
Wycombe District Council	0.261
<b>Total</b>	<b>2.404</b>

## Revenue Budget 2018/19

28. Development of the 2018/19 budget builds upon the 2017/18 budget and therefore the current monitoring position provides a useful context and manages many of the same challenges to be expected in the new financial year. In addition, progress towards delivery of existing savings targets is of vital importance in considering both the feasibility of future savings initiatives and the potential need to identify alternative measures where planned savings cannot be secured.

29. The movement from the 2017/18 baseline to the 2018/19 budget requirement is summarised in the following table, which reflects the current position and incorporating movements since the budget was agreed in February when the funding gap for 2018/19 was estimated to be £0.273m. Explanation of the significant adjustments are detailed in paragraph 30.

Budget Requirement	Movement £m	2018/19 Budget Requirement £m
<b><u>Funding Sources</u></b>		
Council Tax	-0.465	-9.327
Collection Fund Surplus	-0.018	-0.261
Business Rates	-0.016	-3.225
Revenue Support Grant	0.518	-0.117
New Homes Bonus	-0.685	-1.56
<b>Total Resources</b>		<b>-14.490</b>
<b><u>Budget Requirement</u></b>		
Budget Requirement 2017/18		13.824
Inflation Pay	0.281	
Inflation Price	0.261	
New Growth/Cost Pressures	2.713	
New Savings/Income	-3.027	
Corporate Items	0.438	0.666
<b>Budget Requirement 2018/19</b>		<b>14.490</b>
<b>Funding Gap</b>		<b>0.000</b>

30. Explanation of significant movements and main assumptions are detailed below:

- a. **Business Rates and Revenue Support Grant (RSG):** The movement reflects the four year settlement which Council has signed up to. Due to the overall government funding cuts, there is a significant reduction in RSG of 82% resulting in a decrease of £0.518m.
- b. **Pay Inflation:** This is assumed at 2.2% (National pay rise and scale point movement).
- c. **Price Inflation:** Overall price inflation has not been allocated to budgets and services are expected to manage any increase through general efficiency. However, the following items were inflated as detailed below:
  - i. Utilities 5%
  - ii. Business Rates as per the 2017 valuations
  - iii. Major contract inflation as per the contract agreement
- d. **New Growth and Cost Pressures:** The total new growth is £2.713m. The significant items are summarised below:-
  - i. Youth Peer Monitoring Project - £0.060m.
  - ii. Rental Income - £0.224m, resulting from cyclical rent reviews of the investment portfolio.
  - iii. Economic Development - new post to deliver the strategy £0.055m.
  - iv. Car Parks – Investment in repairs, maintenance and security provision of £0.103m to secure and maintain facilities to secure strong and vibrant local economy
  - v. Waste Recycling Credits – this is expected to decrease by £0.065m due to decrease in tonnage resulting from light weight packaging and increasing digital media.
  - vi. HMO Licencing pilot – increase in staffing cost of £0.100m to carry out additional pilot area pending new legislation.
  - vii. Homelessness prevention work funded from grant £0.273m.
  - viii. Information Technology – Investment in software costs due to upgrade and IT support costs totalling to £0.150m.
  - ix. Cleaning Contract – The cost of £0.096m is offset by compensating savings
  - x. The cost of the planning transformation project and delivery of local plan approved by June 2017 Cabinet of £0.588m to deliver the Local plan and ‘Fit for Competition’.
  - xi. Temporary Accommodation housing subsidy – Reduction of subsidy amounting to £0.130m
- e. **New Savings/Income:** The total new savings/income is £3.368m. The significant items are summarised below:-
  - i. Grounds Maintenance winter works - £0.060m
  - ii. Rental income of £0.573, this includes Sword House rental income of £0.420m realigned from the balance sheet to income and expenditure.
  - iii. Car park income – There is no increase in car parking charges, however the increase of £0.170m matches the levels achieved in 2017/18.
  - iv. HMO Licence fees – new income from the pilot scheme of £0.050m



- v. Cleaning Contract – Savings of £0.099m from Staffing and supplies and services cost following outsource of cleaning services.
  - vi. Planning Fees – A total increase in fees of £0.320m due to increase in activity/in fees.
  - vii. Insurance Premium savings of £0.050m
  - viii. Additional legal income from recovery of costs £0.057m.
  - ix. Recharges to capital projects £0.247m.
  - x. Management Fee income from the leisure contract £0.239
  - xi. Partnership working savings of £0.079m
  - xii. Reduction in contingency from £0.650m to £0.540m
  - xiii. Specific **Government Grants**
    - Homelessness Prevention: The Council has been awarded £0.273m ring fenced grant for Homelessness Prevention. This will be used for the prevention work which will assist in managing the demand on the service and the associated cost of Bed and Breakfast.
    - Government Capacity Funding: The Council has been awarded £0.161m for 2018/19. There will be match funding of £0.066m from the council. These funds will be used to deliver the Local plan in relation to Princes Risborough.
- f. **Corporate Items**: Net increase of £0.438m, resulting mainly from realigning Treasury Income and Capital Financing budgets from balance sheet to revenue, and movement on contribution to reserve offset by Revenue Contribution to Capital Outlay.

31. The 2018/19 budget summary is shown in the table below. Further analysis of movement by portfolio holder is attached at appendix A.

2018/19 Budget Summary by: Portfolio Holder	Net Approved Budget	Growth/(Savings)		Draft Net Budget
	2017/18 £m	Inflation £m	Other £m	2018/19 £m
Community	3.710	0.019	-0.731	2.998
Youth	0.000	0.000	0.078	0.078
Major Projects, Estates & Economic Development	-3.777	0.059	-0.520	-4.238
Environment	6.248	0.221	0.045	6.514
Housing	2.424	0.026	0.107	2.557
HR, ICT & Shared Support Services	1.353	0.042	-0.765	0.630
Leader	2.572	0.044	0.013	2.629
Planning & Sustainability	3.310	0.069	0.055	3.434
Finance	2.196	0.062	0.170	2.428
<b>Net Cost of Services</b>	<b>18.036</b>	<b>0.542</b>	<b>-1.548</b>	<b>17.030</b>
Interest Receipt	0.000		-0.539	-0.539
Capital Financing Charges	-2.383		0.190	-2.193
Net movement to/(from) Earmarked Reserves	-1.938		1.351	-0.587
Revenue Contribution to Capital Outlay	0.000		0.685	0.685
Payment to Parishes	0.109		-0.015	0.094
<b>Budget Requirement</b>	<b>13.824</b>	<b>0.542</b>	<b>0.124</b>	<b>14.490</b>
Funded by:				
Collection Fund Surplus	-0.243		-0.018	-0.261
Business Rates	-3.209		-0.016	-3.225
Revenue Support Grant	-0.635		0.518	-0.117
New Homes Bonus	-0.875		-0.685	-1.560
<b>Net Expenditure before Council Tax</b>	<b>8.862</b>	<b>0.542</b>	<b>-0.077</b>	<b>9.327</b>
Council Tax Base	67,139			68084
Council Tax Band D	£131.99			136.99
<b>Demand on the Collection Fund</b>	<b>-8.862</b>		<b>-0.465</b>	<b>-9.327</b>

## Fees and Charges

32. Fees and charges represent an important source of income, providing finance to assist in achieving the Council's objectives.

33. The policy framework provides guidance to Managers in setting appropriate levels of fees and charges, taking into account client groups and corporate objectives, and to provide for regular reviews of fees and charges within the overall service and financial planning process.

34. Incorporating the review of fees and charges formally into the service and planning process will also permit consideration of cross-cutting issues and impacts in the context of wider policy considerations.

35. The proposed Fees and Charges for 2018/2019 are set out by portfolio at Appendix F.

## Capital Programme

36. The programme presented is developed for 2018/19, and the 5 year programme represents the ongoing commitments of the existing and future programme. The longer term capital programme aspirations are significant. The Council continues to develop the future programme of investments to deliver corporate priorities and to ensure that it is affordable within the financial envelope.

37. The capital strategy to deliver Council's vision is:

- **Regeneration and Infrastructure**, by investing in our assets in such a way that not only delivers regeneration and growth in a sustainable way, but also generates annual revenue to support our services to the public.
- **Cohesive Communities**, ensuring activity is prioritised accordingly, with robust delivery plans in place, enabling delivery on time and at value, for example use Community Infrastructure Levy (CIL) to invest in the area to improve infrastructure and reflect the growing needs locally.
- **Value for Money Services** ensuring external funding is leveraged, especially for development, which will maximise the financial envelope available for major projects such as Accelerated Construction Fund for development (unlock housing and jobs growth).

38. The programme sets out how the Council will spend **£45.358m** in 2018/19 and **£150.739m** across five years from 2018/19 to 2022/23. This budget proposes greater capital investment across areas such as economic Development & Regeneration, Planning and Sustainability, Housing supply and other externally funded projects

## New Capital Commitments

39. The table below summarises the Capital Programme. Programme detailing individual scheme is presented at Appendix H.

2017/18 Latest Budget £m	Draft Capital Programme	2018/19 Budget £m	2019/20 Aspiration £m	2020/21 Aspiration £m	2021/22 Aspiration £m	2022/23 Aspiration £m	Total £m	Programme Total (including 2017/18) £m
0.128	Community	2.111	2.012	0.145	0.145	0.145	4.558	4.686
9.657	Economic Development & Regeneration	17.856	9.675	2.000	2.000	2.000	33.531	43.188
1.210	Planning & Sustainability	0.047	15.000	15.000	15.000	-	45.047	46.257
2.095	Housing	5.038	3.366	3.366	0.800	0.800	13.370	15.465
0.029	Leader	0.463	-	-	-	-	0.463	0.492
0.912	HR, ICT & Customer Services	1.148	1.298	0.608	0.498	0.623	4.175	5.087
	Capital Overview		-0.618	-14.832			-15.450	-15.450
3.146	funding CIL, S106, HIF, LGF and other external	18.695	6.461	10.234	11.015	3.190	49.595	52.741
<b>17.176</b>	<b>Grand Total</b>	<b>45.358</b>	<b>37.194</b>	<b>16.521</b>	<b>29.458</b>	<b>6.758</b>	<b>135.289</b>	<b>152.465</b>

40. The following table summarises the movement of the capital programme since it was last approved by the cabinet in March 2017

2017/18 £m		2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m	Total including 2017/18 £m
16.985	Approved by March 2017 Cabinet	3.511	1.185	0.000	0.000	0.000	4.696	21.681
-0.865	Reprofiling	0.000	0.865	0.000	0.000	0.000	0.865	0.000
1.056	New Schemes approved during the year	16.881	7.137	0.000	0.000	0.000	24.018	25.074
0.000	New Bids	24.966	28.625	31.353	29.458	6.758	121.160	121.160
0.000	Capital Overview	0.000	-0.618	-14.832	0.000	0.000	-15.450	-15.450
17.176	Revised Programme February 2018	45.358	37.194	16.521	29.458	6.758	135.289	152.465

41. The Local Plan – looking forward to 2033 – has been approved by Cabinet and Council, and it is planned to submit it to the Government by the end of March 2018 for its examination. What is clear, however, is the growth agenda that has now been firmly established is not a short term blip, but a long term trend. With housing requirements remaining high, and in a constrained District, finding suitable land for development is likely to require active public sector intervention. The Council also has ambitions in terms of the economic development of the District.

42. The Council may prefer – through borrowing – to acquire sites on an opportunistic basis when they become available to the market, and then hold them – possibly for many years – for future redevelopment. In the current market conditions, the potential costs of such borrowing is approximately 5% per annum of the principal amount borrowed.

43. Such purchases would have to have existing uses that would service any loan. If the principle is agreed, further work will need to be undertaken to identify the locations of any such investment activity.

### Capital Funding forecast

44. The table below summarises various funding sources

2017/18 Forecast £m	Funding	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	Total £m	Total including 2017/18 £m
-3.946	Grants & Contributions	-19.495	-7.261	-6.189	-4.115	-3.990	-41.050	-44.996
-13.230	Capital Receipts	-20.720	-9.000	-9.800	-5.000	-2.768	-47.288	-60.518
0.000	Revenue Financing	-5.143	-20.933	-0.532	-0.304	0.000	-26.912	-26.912
0.000	Borrowing	0.000	0.000	0.000	-20.039	0.000	-20.039	-20.039
-17.176	Total	-45.358	-37.194	-16.521	-29.458	-6.758	-135.289	-152.465

45. **Capital Receipts** – The capital expenditure will be funded from various sources, the major elements being Capital Receipts of **£60m** over 6 years, subject to external validation (Appendix I) and current balance of **£18.339m**.

46. **Community Infrastructure Levy (CIL)** – allows Councils to charge a levy on specified development that is ring fenced to fund additional infrastructure to support the development of the area. The levy can be used to address the

impacts of development by funding infrastructure that the Council and local communities support.

47. The Council currently receives approx. £3m per year in CIL income. September 2016 Cabinet approved a 'broad allocation' of CIL to 2020 with 80% of CIL being prioritised for the broad category of physical and green infrastructure and 20% being prioritised for social infrastructure (school places and health). These broad allocations have followed through with previous and proposed funding allocations of projects in the capital programme such as the continued implementation of the HW Town Centre Masterplan; access improvements to Cressex and Globe Park business parks; contribution for the proposed upgrade to the Marlow Branch Line to allow increased frequency; additional secondary school places; and adaptations and extensions to local GP surgeries.
48. **Capital Grants and Contributions** - The budget also includes **£23.5m** of government grants and contributions including the Disabled Facilities Grant (**£3.2m**) and Housing Infrastructure Fund (HIF) bids of **£12m** for the proposed Princess Risborough relief road and **£7.5m** for the realignment of Abbey Barn Lane. The Council await the announcement of the outcome from the HIF process. If the Princess Risborough bid is successful the Council will fund the balance of £2.7m as the projected costs of the project is £14.7m. The delivery of these projects will be reviewed if the applications are unsuccessful.

### **Capital Financing costs implications for the new proposals**

49. The council has built specific reserves to manage known financial liabilities and possible risks – as a good financial practice would dictate. However, with the increase in the capital programme, it is time to start considering borrowing with the associated borrowing costs and the impact on the Council tax. Based on the five year capital programme it is expected that the council may require borrowing of c **£20m** to finance the programme in 2021/22. Based on the current programme and the funding profile, the revenue implications of borrowing would be approximately £1.100m per annum from 2021/22 onwards.
50. The capital expenditure is expected to be incurred based on the original bid at the onset. Any deviation from the original request will be subject to a change control process through the Cabinet for a formal approval.

### **Sustainable Community Strategy/Council Priorities – Implications**

51. The approval of the Council's budget is key to the delivery of the Council's Vision and Priorities.

### **Financial Risks**

52. The key financial risks relating to the 2018/19 budget are set out below
- Business Rates Income – The Council's funding from central government includes £3.225m from retained business rates (Funding Baseline). Since

April 2013 the Council carries 40% of the financial risk associated with the level of net income that is actually achieved in the year. If the total income received is less than the funding baseline then the amount of funding the Council can retain can be reduced by 7.5% (£0.242m).

- Council Tax Support - The Council set a discount scheme in 2013/14 designed to mitigate the projected shortfall in Council Tax Support grant it received from government. The Council together with other precepting bodies is responsible for the financial costs of any increase in take up for this discount and uncollected payments.
- Homelessness – Demand both nationally and locally for assistance is expected to continue to remain at high levels during 2018/19. Various prevention measures are put in place and increased levels of temporary accommodation which is more affordable. The impact of the welfare changes will also become increasingly more challenging for those at risk.
- HMO Licensing – New Legislation is expected during which it is anticipated will increase the number of properties that the Council will need to license, with 2 story buildings likely to be included in addition to 3 story plus. The financial implications cannot be assessed yet until more detail is published.
- Volatility of income streams from Car Parks, Planning and Commercial Rents.
- Risks around delivery and sustainability of the Capital Programme.

## Options

53. The Council has 6 options in relation to Council Tax for 2018/19 as follows:

- **0% Increase in Council Tax** as assumed in the Council's Medium Term Financial Plan and the basis of how the proposed budget for 2018/19 has been compiled.
- **Increase Council Tax by £5 per Band D Property (3.77%)** as assumed by Central Government's spending power reduction. This would increase the amount of Council Tax raised by £0.341m.
- **Increase Council Tax by £2.62 per Band D Property (1.99%)** which would generate an additional amount of Council Tax of £0.178m.
- **Increase Council Tax by £3.94 per Band D Property (2.99%)** which would generate an additional amount of Council Tax of £0.268m.
- **Increase Council Tax by an amount between £0 and £5 per Band D Property.**
- **Increase Council Tax by above £5 per Band D Property (3.77%)** and seek a referendum – this is not recommended.
- **Reduce the current level of Council Tax charge – this is not recommended** in light of the projected deficit position of £5.915m for the 5 year period to 2023/24 on the MTFP reported to 06 February 2017 Cabinet and known financial risks that the Council continues to face in the short term.

54. The Council has one of the lowest levels of Council Tax in England for a District Authority at £131.99pa (£2.54 per week) for a Band D property, which is also the lowest in Buckinghamshire.

### **Conclusions**

55. As the level of financial risk that the Council faces continues to increase, particularly given the changes to local government finance further saving programmes will need to be identified and the option of increasing the Council Tax needs to be considered to ensure that a balanced budget can be achieved over the period of the Medium Term Financial Plan going forward.

### **Background Papers**

56. 2017/18 Revenue Budget and Council Tax Setting report to Cabinet on 6 February 2017.

57. Draft Revenue Budget and Capital Programme reports to Cabinet on 18 December 2017