

SPECIAL EXPENSES BUDGET 2017/18

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Wards affected: All High Wycombe Town

PROPOSED RECOMMENDATION TO CABINET

That the committee notes and recommends an option for the Special Expenses budget for 2017/18 and the effect of the Council Tax Reduction Scheme grant on precept budgets for Special Expenses.

NB: The High Wycombe Town Committee is an advisory body only. In the main, its decisions are recommendations to Cabinet or to Council.

Corporate Implications

1. The financial implications have been set out in this report. Under section 35(2) (d) of the Local Government Act 1992 any expenses incurred by the Authority in performing a part of the District functions performed elsewhere in the District by a Parish Council are Special Expenses unless a contrary resolution is in force. The Council passed a resolution on 4 January 1993 making all such expenses a general expense, with the exception of certain items detailed in the resolution, which are treated as Special Expenses.
2. As part of the Government's spending review in Autumn 2016, District Councils were given the option to increase their Council Tax by up to £5 per Band D property each year before a referendum is required.
3. As the Special Expenses precept is included in the District calculation, any movement above a 1.25% reduction in the Town Council's charge will mean the District Council will not be able to increase its precept by the full £5. For example, freezing the Council Tax charge for a Band D property at the current level of £17.33 per Band D would result in the District Council being able to increase its Council Tax by a maximum of £4.93 before a referendum would be required. A 1.25% reduction would make the Band D charge £17.12 and enable the District to increase its charge by the maximum of £5.00 on a Band D property.
4. The increase to the Council Tax Base in 2017/18 means that High Wycombe Town Committee will receive an extra £8.1k in precept at the current level of £17.33 Band D. The Town Committee also has forecast working balances of £741k at 31 March 2017.

Executive Summary

5. This report sets out the proposed budget for 2017/18 for Special Expenses and the impact on the precept. Details of the estimates for 2017/18 are attached at Appendix A.
6. Options for the setting of the Special Expenses precept 2017/18 are outlined in this report.
7. The Council Tax charge is based on the tax base calculated in terms of Band D equivalent properties. The tax base for 2017/18 is 21,970.52 (21,505.14 in 2016/17). The increase in properties means that the Town Council precept will increase by £8,065.11 if the Band D Council Tax charge for Special Expenses is left unchanged, amounting to a total precept of £380,749.11 in 2017/18.
8. The Council Tax Reduction Scheme (CTRS), reduces the Council Tax base and therefore the amount of revenue that is raised through Council Tax each year. Since the CTRS was introduced in 2013/14 a grant has been paid to HWTC Special Expenses to help offset this loss of revenue. The amount of grant is adjusted each year in line with the overall change in formula grant that the District Council receives from government (Revenue Support Grant and retained Business Rates income).. As part of the Government's Provisional Finance Settlement announcement in December 2016 this has been reduced significantly for 2017/18. As a result, the amount given to the Town Council and Parishes has been reduced in line with this and for High Wycombe Town will be £31,708.10 in 2017/18. This is a reduction from the 2016/17 level of £37,500.

Background and Issues

9. A separate fund is maintained for Special Expenses. Income is raised by a precept on the town's inhabitants and interest is credited on the fund balance.
10. Central Government has introduced a £5 per Band D referendum limit for District Councils. For the purposes of calculating a tax increase within the referendum limit, the Special Expenses precept must be included within the District-wide calculation. The options for increasing or reducing the Council Tax precept effects the District Council's ability to levy the maximum £5 permitted amount of Council tax and the implications are detailed within this report.

2017/18 Budget Overview (Appendix A)

11. For 2017/18 the estimated Net Cost of Services is £460,929 (£421,840 in 2016/17). . After adjusting for the capital charge credit, CTRS grant and working balance interest there is an annual net spend of £411k.
12. The precept of £381k (£372k in 2016/17), shown at Appendix A, has been calculated using a Band D tax rate of £17.33 (no change in Council Tax charge). Therefore a reduction of £20k is currently projected to the HWTC Working Balance.

Options for Setting Precept

13. Options for setting the Council Tax precept are set out in Table 1 below and show the impact to the annual surplus/deficit and to working balances, after adjusting for the capital charge credit, CTS grant and interest. The table also shows how the precept set by the Town Committee impacts the maximum level the District Council can increase Council tax.

Table 1: Council Tax Precept Option for 2017/18, excluding CTS Grant and interest of Working Balances and excluding West Wycombe

Option	% Change	Band D	Precept	(Increase) / Decrease	Resulting WDC Tax Increase Limit
1	-1.25%	£17.12	£375,990	-£3,306	£5.00
2	0.00%	£17.33	£380,749	-£8,065	£4.93
3	0.25%	£17.38	£381,701	-£9,017	£4.91
4	1.00%	£17.51	£384,557	-£11,873	£4.87
5	2.00%	£17.68	£388,364	-£15,680	£4.81
6	3.00%	£17.85	£392,172	-£19,488	£4.76

14. The table shows that anything above a 1.25% reduction in the High Wycombe Town Committee's precept would impact on the District Council's ability to levy the maximum Council Tax increase permitted by Central Government. Keeping the tax rate unchanged would result in £8,065 in extra income but the District Council would have to limit any tax increase to £4.93 instead of the £5 increase permitted by Central Government.

15. The current recommended minimum level of working balances is £150k. High Wycombe Town Council working balances forecast to be £801k at 31 March 2017.

16. It is not proposed to alter the recommended minimum £150k level of working balances at this time.

17. When recommending a tax decision the Committee will need to consider the impact on the District Council's tax setting position, the level of current balances and any anticipated future calls on the Committee's finances. For every 1% increase above a 1.25% reduction (Option 1) the District Council would lose £6,043 in potential new revenue as this would restrict its ability to implement the full £5 increase permissible. The Committee is not restricted to the options outlined in Table 1 above in making its recommendation to Cabinet.

Next Steps

18. These proposals and the Committee's comments and recommendations will be considered by Cabinet at its meeting on 6th February 2017. Council tax for 2017/18 will be set by full Council at its meeting on 20th February 2017.

Background Papers

Papers held by Financial Services