

WEST OXFORDSHIRE DISTRICT COUNCIL
CABINET WEDNESDAY, 10 JANUARY 2018
2018/19 BUDGET AND COUNCIL TAX BASE
REPORT OF THE GROUP MANAGER GO SHARED SERVICES

(Contact: Jenny Poole, Tel: (01285) 623313)

(The Cabinet will make recommendations (ii to v) to Council, which will take final decisions on 2017/18 revised capital budgets on 17 January 2018. The Cabinet is being asked to approve latest budget proposals for 2018/19 and will subsequently be making final recommendations to full Council for its meeting on 28 February 2018).

I. PURPOSE

To consider (i) draft base budgets for 2018/19; (ii) the revised Capital Programme for 2017/18; (iii) the draft Capital Programme for 2018/19 to 2022/23; (iv) adoption of the Council Tax Base for 2018/19; (v) delegation of business rates returns;

2. RECOMMENDATIONS

It is recommended that Cabinet approves:-

- (i) Draft base budgets for 2018/19 totalling £10,846,975 for Net Operating Expenditure and £10,337,230 for Net Expenditure as detailed in Appendix A;

It is recommended that Cabinet requests Council to approve:

- (ii) the revised Capital Programme for 2017/18 totalling £8,735,115 as detailed in Appendix B;
- (iii) the draft Capital Programme for 2018/19 to 2022/23 totalling £18,822,000 as detailed in Appendix B;
- (iv) the Council Tax Base shown in Appendix C, calculated at 42,920.71 for the year 2018/19;
- (v) that the National Non-domestic Rates Return I (NNDR I) for submission to the Department for Communities and Local Government (DCLG) is delegated to the Council's Chief Financial Officer (s.151) prior to its submission date of 31st January 2018;

3. BACKGROUND

3.1. The Cabinet at its meeting on 13 December 2017 approved the details of the base revenue budget after receiving consultation responses from Overview and Scrutiny Committees budgets for 2018/19. The Net Operating Expenditure was set at £10,818,675; however Cabinet were advised the full financial position would only become clear once the grant settlement was confirmed, New Homes Bonus was announced and Business Rates fully determined.

3.2. On the 19th December 2017 the provisional local government financial settlement was announced. The four – year settlement in respect of Revenue Support Grant was

exactly as previously reported. The Rural Services Delivery Grant allocation for 2018/19 was increased by £23,511 from £78,367 to £101,878.

- 3.3. The Government has previously announced significant changes to the New Homes Bonus (NHB) scheme implementing reduced legacy payments from 6 years to 5 years in 2017/18 and then to four years from 2018/19 onwards. A 'deadweight' factor was introduced with effect from 2017/18 so that the first 0.4% of housing growth will see no New Homes Bonus payment. Further expected changes relating to housing built only after appeals/lack of local plan **have not** been implemented for 2018/19.
- 3.4. The actual payment for 2018/19 will be £1,599,061 which is £939 less than previously forecast in the Medium Term Financial Strategy.
- 3.5. The changes to Rural Services Delivery Grant and New Homes Bonus have resulted in some minor changes to the budget financing page shown in Appendix A. It is proposed to reduce the use of General Fund Balances to £151,512.
- 3.6. There have been a number of changes in the revenue account that have impacted on the Total Cost of Services, and other budget movements that have changed the Net Operating Expenditure. The table below lists all the budget changes since the report to Cabinet in December and the overall financial implications in terms of the additional Rural Services Delivery Grant and slightly lower New Homes Bonus and the proposed use of General Fund Balances.

Movement -		£	£
Total Cost of Services	As reported to Cabinet 13 December 2017		11,359,200
Removal of contribution from Thames Valley Police to CCTV – 2017/18 contribution only		19,300	
Additional provision for Inflation		9,000	
Net Movement			28,300
Revised Total Cost of Services			11,387,500
Net Operating Expenditure – Total of Transactions	As reported to Cabinet 13 December 2017		(540,525)
Revised Net Operating Expenditure			10,846,975

Movement in Funding	As Reported December 2017 £	Settlement Adjustment £	Variance £
New Homes Bonus	(1,600,000)	(1,599,061)	939
Rural Services Delivery Grant	(78,367)	(101,878)	(23,511)
Collection Fund Surplus	(50,000)	(58,574)	(8,574)
Total Funding Movement			(31,146)
Funding to meet new costs as shown above			28,300
Decrease in Use of General Fund Balances			(2,846)

Use of General Fund Balances	As Reported December 2017 £	Adjustment £	Amended Use of Balances £
Use of General Balances	(154,358)	2,846	(151,512)

Capital Programme

- 3.7. Attached as Appendix B is the revised Capital Programme for 2017/18 and a draft Capital Programme for 2018/19 to 2022/23. The revised Capital Programme for 2017/18 totals £8,735,115 although a number of schemes will need to be re-phased into 2018/19 depending on their progress over the next month.

Overall Financing of Budgets

- 3.8. Revenue Support Grant (RSG) is in accordance with the 4 year settlement as previously reported at £372,528 and will reduce to nil by 2020/21.
- 3.9. Localisation of business rates growth is a key strand of the government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards. The estimated Business Rates income shows a return to the Council of £3.484 million. Work will be on-going throughout January to finalise this initial estimate but it should be noted there is risk of significant movement and impact on the currently reported position when this work is complete. The Group Manager GO Shared Services will be submitting the statutory National Non- Domestic Rates return (NNDRI) by the 31 January incorporating the on-going issue outstanding appeals and potential new appeals following the April 2017 revaluation. This figure will be updated at February Cabinet.

- 3.10. The Council decided to join a Business Rates Pool in 14/15 with the County Council and Cherwell District Council to gain benefit from estimated growth in its business rates (by reducing the central government levy rate). This will continue in 2018/19 but alongside arrangement to share the benefits more widely across the county area to maximise returns for Oxfordshire but ensure fairness and equity between districts within Oxfordshire who might otherwise have joined the pool.
- 3.11. Referendum principles have been increased to a 3% increase in Council Tax before a referendum would be required. District Councils will be allowed to raise Council Tax up to £5 irrespective of the %. The draft budget being presented, in accordance with the Council's Medium Term Financial Strategy has assumed a rise in Council Tax of £5. It should be noted that the February budget setting meeting will consider the final budget alongside the Medium Term Financial Strategy.

Collection Fund

- 3.12. The Medium Term Financial Strategy assumes a Collection Fund surplus of £50,000 relating to Council Tax. The 2017/18 calculation was completed at the end of December and the level of surplus has increased marginally and the amount for this Council will be £58,574, an increase of £8,574. The calculation of Business Rates Surplus / Deficit will be part of the work discussed above in paragraph 3.9. There is existing provision within the Business Rates Movement Reserve to offset any deficit and as a consequence any deficit is unlikely to impact on the Council's Net Budget Requirement and use of General Fund Balances.

Business Rates – NNDR I

- 3.13. The NNDR I business rates estimate form for 2018/19 has only recently been issued. Initial estimates have been incorporated into the draft budget and this will be finalised later in the budget process along with the deficit discussed above.

Use of Reserves

- 3.14. Taking the changes set out in the preceding paragraphs into account, it is proposed that the Council utilises the additional Rural Services Delivery Grant net of the slightly lower New Homes Bonus and additional budget growth pressures to reduce its use of General Fund Reserves to £151,512.

Council Tax Base and Parish Precepts

- 3.15. The town and parish councils have been provided their tax base information and the amount of grant that is being allocated to compensate the impact of the Council Tax Support system will have on their tax base. The total amount of grant being awarded is £77,610.
- 3.16. The tax base as included in the draft budgets presented to committees remains the same. This shows the District Council Tax Base increasing from 42,580.71 in 2017/18 to 42,920.71 in 2018/19 (+0.8%) and worth an additional £31,154 to the Council's tax base. The breakdown of the tax base is attached as Appendix C.
- 3.17. The Tax Base for each town or parish council is attached as Appendix D. These will be used to calculate any additional amounts of Council Tax due in those town or parish areas requesting a parish precept. In calculating the Council Tax Base it has been assumed that the Council will collect 98.5% of the Council Tax bills due in 2018/19.

4. ALTERNATIVES/OPTIONS

The Cabinet is able to make recommendations to the Council on any aspect of the Budget.

5. FINANCIAL IMPLICATIONS

These are included in the report. Final Budget and Council Tax decisions for 2018/19 will be made by Council on 28 February 2018.

6. RISKS

- 6.1. The draft budget has increased Council Tax by £5 in line with the existing Medium Term Financial Strategy. Should Cabinet determine (when they have reviewed the refreshed MTFS) that they need to increase Council Tax further the Council would fall under the government's capping control parameters and would require a referendum to gain approval for such an increase.
- 6.2. The key risks in terms of the budget proposals are around the longer term and sustainability of the Council's budget. Revenue Support Grant will be zero by 2020/21 and the outcome of the latest government fairer funding review will impact upon the business rates retention scheme. There is continuing uncertainty over possible changes to the New Homes Bonus scheme to reflect planning performance. Whilst no changes were implemented for 2018/19 it is possible that further changes will be implemented in future years.
- 6.3. The risk around business rates appeals remains significant and makes the estimation of business rates income difficult. This estimation problem is further exacerbated by the revaluation of business rates in April 2017, the move to 100% business rates growth retention and the 2020 business rates system reset.

7. REASONS

To maintain the Council's position in the lowest ten levying Shire District Councils.

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Date: 22 December 2017