

## CHILTERN DC FINANCIAL STRATEGY

### Purpose

The financial strategy for the authority is intended to provide a stable financial environment for the Council to progress its aims and objectives.

### Principles

The key principles underpinning the strategy are:

- The matching of expenditure and income in the medium term
- Optimising the use of Council assets to deliver or help finance Council priorities
- Aligning new expenditure to key Council priorities and to continue to provide value for money
- Having in place sound financial processes to control and monitor expenditure
- Awareness of the financial risks facing the authority and using this to inform the authority's level of financial reserves

### Key Priorities of the Strategy

The key priorities that the Medium Term Financial Strategy is seeking to deliver are as follows.

Key Priority	Comment
<ul style="list-style-type: none"><li>• Financial Stability &amp; Resilience</li></ul>	Eliminating the funding gap Growing income base Funding only from Business Rates, Council Tax and Fees & charges and rents Reserves to buffer recession effects Reserves for specific major projects Funding investment (Prudential Borrowing) Continuing efficient and effective use of resources Strong cost control
<ul style="list-style-type: none"><li>• Local Housing needs</li></ul>	Temporary accommodation supply Affordable housing supply Use of s106 funds
<ul style="list-style-type: none"><li>• Parking Strategy</li></ul>	Focus initial on Amersham issues (AMSCP).
<ul style="list-style-type: none"><li>• Maximising use of Property Assets</li></ul>	Amersham site (Pool & KGVH)
<ul style="list-style-type: none"><li>• Leisure Strategy</li></ul>	Implementing outcomes of leisure needs survey, especially in respect of Amersham site

Key Priority	Comment
<ul style="list-style-type: none"> <li>Supporting local businesses</li> </ul>	Broadband extension and development Skills agenda Progression the economic development strategy Encourage tax base growth
<ul style="list-style-type: none"> <li>The local environment</li> </ul>	HS2 mitigation Local Plan work
<ul style="list-style-type: none"> <li>Joint Working incl Transformation</li> </ul>	Stronger in Partnership Programme Office Accommodation plans

### Elements Supporting the Financial Strategy

The Financial Strategy is supported by a number of other key documents.

- Sustainable Communities Strategy
- Asset Management Plan
- Capital Investment Strategy
- Treasury Management Strategy
- Risk Management Strategy

The Asset Management Plan will set out how the Council will use its assets to optimise revenue, create income streams, for the Council.

Specific consideration will be given to capital investment issues, including where appropriate undertaking return on investment assessments. Major investment projects will be supported by option appraisals and business cases. The authority's Capital Investment Strategy defines in specific terms the authority's approach to capital investment.

Where the Council decides to undertake external financing of investment projects it will ensure this is based on the requirements of the Prudential Code<sup>1</sup>. The Treasury Management Strategy will be reviewed annually, and will set out the Prudential Indicator's for the authority in order to demonstrate the affordability of any borrowing undertaken.

Financial and service planning are integrated and are driven by the priorities that has been developed by a process of consultation with members and key stakeholders. Service plans and budgets will be subject to formal member consultation and scrutiny, through PAGs and Overview Committees. Consultations on the Council's plans will also be undertaken if appropriate with other stakeholders such as parishes and other members of the Chiltern & South Bucks Strategic Partnership.

The financial risks and dependencies associated with delivering Service plans will be identified and reported as part of the service planning and budget process. The financial risks will also be incorporated into the in year monitoring processes referred to previously. In addition the Council will keep under review through its risk management policy the strategic risks facing the authority.

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<sup>1</sup> Prudential Code for Capital Finance in Local Authorities issues by CIPFA.

A sound system of financial management will be in place as evidenced by the authority's:

- Financial regulations and standing orders
- Audit Plan
- Procurement Guidance and Contract Standing Orders

The effectiveness of these arrangements will be reported upon as part of the annual Statement of Assurance that form part of the authority's published financial statements, and as such is reviewed by the External Auditors.

The key income streams of council tax and business rates will be monitored regularly and forecasts made for financial planning purposes. Current expenditure, activity levels and performance are kept under review and monitored regularly by officers and members.

The key drivers affecting the Council's priorities are identified and monitored. These may be drivers from Central Government or from local communities. The Knowledgesource database and performance indicator data specifically will be used to identify any issues arising that will affect Service plans.

## **Roles and Responsibilities**

### Members

Members have the responsibility for agreeing the key aims and priorities of the authority. They also need to ensure that adequate resources are in place to support the delivery of the priorities, and that the authority has a sound system for financial management and control.

### Managers

Managers responsible for services or groups of services have the requirement to set out through their Service plans and budgets how they will progress the Council's aims in the areas under their control. They will be required to identify clearly the resource implications and any risks or dependencies associated with their Service plan. Value for money, customer views and efficiency will feature in their service planning. If required by the Council's overall financial position managers will be required to identify savings options, but these should aim to minimise as far as possible the impact on the Council's key priorities. They will follow the authority's procedures for financial management and control. This includes monitoring their budgets in accordance to the requirements of the authority's budget monitoring processes.

### s151 Officer

The designated s151 officer has the responsibility to ensure members and officers are provided with the appropriate financial advice and information to support their service and financial planning, and this includes identifying the key financial risks facing the authority. The role also has responsibility for ensuring managers have the appropriate support to

manage their budgets. The post is responsible for ensuring adequate financial systems and controls are in place to manage the authority's financial affairs.

## **Communications**

### Internal

As a general principle the intention is to consult and inform internal stakeholders as far as possible and in an appropriate way.

Briefings or presentations to members on council priorities, plans and financial issues.

Guidance made available to managers on service and financial planning.

Information made available to staff on Council priorities and the financial strategy via means such as staff briefings and other internal communications.

As part of the Council's Organisational Development Strategy it is important that staff understand the context that the Medium Term Financial Strategy provides for the way they will work, and for the changes that will take place.

### External

Information publicly available as part of the Annual Report, setting out the key points of the Council's priorities and main Service Plan issues.

Information publicly available on website outlining main features of the budget set for the year.

It is important that the Council managed public expectations about what it can deliver within the limitations of resources and legislative frameworks.

## **Review of the Strategy**

The principles and key elements of the Strategy should not change significantly from year to year, other than to adjust for any new supporting policies or strategies that may have been developed.

## **The Medium Term Financial Strategy**

Following the Government's proposals for local authority funding in December 2015<sup>2</sup>, it has become very clear that all Councils need to adapt to a new and different funding regime. Chiltern is classified as a high resources/low needs authority and as such by 2020 will not

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<sup>2</sup> Autumn Statement 2015, and Local Authority Financial Settlement December 2015.

only receive no Central Government grant but will also be required to pay an 'additional tariff' back to the Treasury. The preliminary "tariff" figure announced for 2019/20 is £848k. There is also the potential risk from 2020/21 of this figure changing following the government's intended review of how its funding to local authorities is distributed.

There are a number of material financial risks facing the Council in the coming years, other than bridging the funding gap resulting from the ending of Government grant. These include:

- The financial pressure to deliver the Council's statutory housing duties as a result of shortfall in the availability of affordable and temporary accommodation relative to demands.
- The costs of maintaining and enforcing the Council's planning policies, in an area where there is significant pressure of development. Parts of the District will be subject to significant impacts from the HS2 project, which will put financial pressure on the Council to support local communities to mitigate the impact of these developments.
- The development and maintenance of the authority's waste collection and recycling services with the retendering of the service in 2020 likely to result in increased costs.

The Approach to the Challenges.

Some of this will be achieved by the Stronger in Partnership phase of the joint working with Chiltern DC. This is expected to deliver savings from reduced accommodation requirements, more efficient working, and delivering services to customers more in line with their requirements and making best use of developing means of interacting with customers.

The Council's capital resources are diminishing, available capital receipts and earmarked reserves for capital at the end of 2015/16 were £4.1m. Any significant new capital investment in the coming years will soon exhaust these resources, and with there being no realistic prospect of significant new capital receipts, the Council will need to undertake prudential borrowing to deliver its Capital Programme.

The Council's response to the challenges will include the following.

- Income opportunities will be maximised, particularly in the areas of planning and licensing fees, and car parking. Car parking will involve expanding capacity that will also be in response to increasing demand in a number of areas.
- Contract costs will be kept under review and options to reduce costs will be considered. These would include;
  - Joint tendering.
  - Considering new approaches to service delivery (e.g. "cloud based" technologies; channel shift)

- Pay arrangements under the locally determined harmonised terms & conditions, will be linked to what the Council can afford as opposed to automatically following any national settlements.
- For any significant operational areas, not already subject to contract arrangements or market testing, their structures and processes will be reviewed to identify any savings potential as the Stronger in Partnership programme progresses.

Maintaining financial stability is very important. Specifically having an appropriate level of general reserves is vital in order to cope with the inevitable one off issues that can arise as a result of factors outside of the Council's control, or which cannot be accurately assessed as part of the annual budget process.

The situation that will exist from 2020 whereby the Council's income sources are effectively the council tax, business rates, and its fees and charges, makes the Council more vulnerable to external economic factors, and in particular recessions that periodically occur. Recessions have an impact on the business sector, and therefore business rates, as well as on a number of key fee areas such as planning and building control. It is therefore important to have an adequate level of general reserves to provide a financial buffer during a period of recession.

The Council has a specific policy around reserves which covers how the minimum level of general reserves will be assessed, and also what are the authority's earmarked reserves.

The Medium Term Financial Strategy however will set a planned minimum level of reserves that will be retained over the period of the Strategy. This will mean that any support to the council tax from reserves will be limited to maintaining the planned minimum level. The planned minimum level of general reserves will be £1.5m.

A forecast of the Council's revenue and capital financial position in broad terms to 2022 is appended, based on:

- The phasing out of Government grant, and changes to the New Homes Grant system.
- The financial impact of undertaking Prudential borrowing to support capital investment.
- Savings planned to come into effect.
- Tentative assessment of potential investment in the Chiltern Pools site and the financial benefits to the Council of the redevelopment.
- Council tax to increase by £5 per annum, and council tax base increases to reflect working towards delivering Local Plan Housing objectives.
- Maintaining general reserves above the Strategy's minimum level.

The forecast indicates that the Council will not be in the position of needing to make any substantial savings over the period. However there are a number of factors that could affect this position in the latter years of the forecast period.

- The Government's review of the distribution of its funding to local authorities from 2020/21
- The retendering of the Waste contract
- The redevelopment of Chiltern Pools
- The future distribution and level of business rates.

This implies that the position needs to be kept under review and further work will be undertaken in the following areas:

- Optimise the major income streams by minimising costs and overheads, and having appropriate charging strategies.
- Improve efficiency through the Stronger in Partnership Programme.
- Carefully plan the Waste Contract and Chiltern Pools projects to ensure service and financial objectives are in alignment.

**Director of Resources**  
**September 2016**

**CHILTERN DC MEDIUM TERM FINANCIAL FORECAST 2017 – 22**

	2017/18 BUDGET	2018/19 BUDGET	2019/20 BUDGET	2020/21 BUDGET	2021/22 BUDGET
-	£	£	£	£	£
<b><u>Income</u></b>					
Non Domestic Rates (NDR) – Baseline	(1,393)	(1,435)	(1,480)	(1,525)	(1,571)
Non Domestic Rates (NDR) – Growth	(300)	(300)	(300)	(300)	(300)
Revenue Support Grant	0	0	0	0	0
New Homes Grant	(692)	(581)	(939)	(1,123)	(1,604)
General Grants - Council Tax Freeze	0	0	0	0	0
General Grants - Transition Grant	(100)	0	0	0	0
General Grants – Other	0	0	0	0	0
Tariff / Top Up Adjustment	0	0	848	848	848
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Interest & Investment Income	(100)	(60)	(40)	(20)	(20)
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Collection fund (surplus)/deficit	0	0	0	0	0
	<b>(2,586)</b>	<b>(2,376)</b>	<b>(1,912)</b>	<b>(2,120)</b>	<b>(2,647)</b>

<b><u>Service Expenditure</u></b>					
Leader Portfolio (ID)	619	632	644	657	670
Community, Health & Housing (GH)	1,775	1,811	1,847	1,884	1,922
Customer Services Portfolio (FW)	1,069	1,091	1,113	1,135	1,158
Environment (MSm)	1,692	1,726	1,760	1,796	1,832
Support Services (MSt)	3,203	3,267	3,332	3,399	3,467
Sustainable Development Portfolio (PM)	1,295	1,321	1,347	1,374	1,402
Trading Undertakings (MSm)	(225)	(230)	(235)	(239)	(244)
<b><u>New Pressures</u></b>					
Additional Pension Deficit Contribution	0	0	0	0	0
Council Elections - Fund from reserves	0	0	70	0	0
Waste retender - Procurement Costs	0	0	100	100	0
Waste retender - Cost Change	0	0	0	150	150
Infrastructure Mitigation (ie HS2)	0	0	0	0	0
<b><u>New Savings</u></b>					
Shared Service Reviews	(50)	(100)	(100)	(100)	(100)
Net additional income from AMSCP	0	(24)	(51)	(80)	(93)
Increased income from car parks	0	0	0	0	0
Phase 3 Stronger in Partnership Savings	0	(150)	(250)	(250)	(250)
Net additional income from new Chilterns Pools	0	0	(200)	(350)	(450)
Chiltern Crematorium Surplus - Current	0	0	(250)	(250)	(250)
	<b>9,379</b>	<b>9,343</b>	<b>9,128</b>	<b>9,226</b>	<b>9,213</b>



	2017/18	2018/19	2019/20	2020/21	2021/22
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
<b>Other Expenditure</b>					
Notional Interest Payable - Refuse vehicles	38	22	7	0	0
Borrowing Costs – Interest	74	354	553	539	525
Borrowing Costs - Repayment	0	184	700	682	665
	<b>111</b>	<b>560</b>	<b>1,259</b>	<b>1,221</b>	<b>1,190</b>

<b>Contributions to / (from) Reserves</b>					
Contribution to / (from) LDF Fund	(219)	(219)	(219)	(219)	(219)
Contribution to Capital Prog - Refuse Vehicles	394	394	394	394	394
Contribution to Capital Prog – Other	0	0	0	0	0
Contribution to / (from) HS2 Reserve	0	0	0	0	0
Contribution to / (from) Elections Resv	20	20	(70)	20	20
Contribution to / (from) Other Reserves	0	0	(100)	(100)	0
	<b>195</b>	<b>195</b>	<b>5</b>	<b>95</b>	<b>195</b>

<b>Precept Required</b>	<b>7,100</b>	<b>7,722</b>	<b>8,481</b>	<b>8,422</b>	<b>7,952</b>
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<b>COUNCIL TAX CALCULATION</b>					
Tax base	43,680	43,980	44,380	44,880	45,380
Tax Rate (Band D)	175.62	180.62	185.62	190.62	195.62
<b>Precept Collectable</b>	<b>7,671</b>	<b>7,944</b>	<b>8,238</b>	<b>8,555</b>	<b>8,877</b>

<b>Surplus / (Deficit)</b>	<b>571</b>	<b>221</b>	<b>(243)</b>	<b>133</b>	<b>926</b>
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**CHILTERN DC CAPITAL PROGRAMME 2017 – 22**

	Original	Original	Original	Original	Original
	17/18	18/19	19/20	20/21	21/22
	£	£	£	£	£
<b><u>New Projects</u></b>					
Amersham Leisure Centre Project		20,000,000			
<b><u>Environment</u></b>					
Lords Mill Weir, Chesham	10,000				
Refuse Vehicles	200,000		2,400,000		
AMSCP	7,599,610	800,000			
<b><u>Community, Health &amp; Housing</u></b>					
Leisure Centres	100,000	100,000	100,000		
Disabled Facility Grants	735,000	735,000	735,000	735,000	735,000
Renovation Grants	50,000	50,000	50,000	50,000	50,000
Flexible Home Loan Fund	50,000	50,000	50,000	50,000	50,000
<b><u>Support Services</u></b>					
KGVH WIFI Replacement	50,000				
	<b>8,794,610</b>	<b>21,735,000</b>	<b>3,335,000</b>	<b>835,000</b>	<b>835,000</b>

	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
<b><u>Funded by</u></b>					
Housing subsidy re DFG's via Better Care Fund (BCC)	337,000	337,000	337,000	337,000	337,000
Paradigm contributions re DFG's	60,000	60,000	60,000	60,000	60,000
Borrowing for New Projects	7,369,203	20,800,000	0	0	0
Capital Receipts / Capital Contributions	1,038,407	538,000	2,938,000	438,000	438,000
<b>Total Funding</b>	<b>8,804,610</b>	<b>21,735,000</b>	<b>3,335,000</b>	<b>835,000</b>	<b>835,000</b>

	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Opening Capital Resources	3,527,567	2,883,110	2,739,060	195,010	150,960
New Capital Receipts	0	0	0	0	0
New General Capital Contributions	0	0	0	0	0
New General Capital Contributions Vehicles	393,950	393,950	393,950	393,950	393,950
Use of Capital Receipts / Capital Contributions	-1,038,407	-538,000	- 2,938,000	-438,000	-438,000
<b>Closing Capital Resources</b>	<b>2,883,110</b>	<b>2,739,060</b>	<b>195,010</b>	<b>150,960</b>	<b>106,910</b>

# Medium Term Financial Strategy Process

