

## SOUTH BUCKS 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.

Priority	Pressure/Issue	Response
<ul style="list-style-type: none"><li>• <b>Financial Stability &amp; Resilience</b></li></ul>	Ending of Government grant from 2017/18, payment of tariff from 2019/20. Forecast funding gap by 2020 of £1.6m+ Funding coming totally from local resources from 2017/18 makes SBDC more vulnerable to impact of economic recession. Major capital projects exceed available capital resources	Strategy to increase income from strategic review of assets Strengthen level of reserves. Use prudential borrowing to finance major capital projects. Strong control on costs Identify efficiencies through transformation and joint working
<ul style="list-style-type: none"><li>• <b>Local Housing Needs</b></li></ul>	At end of 2015/16 60+ families in temporary accommodation. Increasing numbers on local housing waiting list. Affordability issues have led to RSL development largely ceasing in the area.	Identify sites for affordable housing development as another output from the strategic asset review. Housing development sites identified in new Local Plan. Create hostel for temporary

Priority	Pressure/Issue	Response
<ul style="list-style-type: none"> <li><b>Parking Strategy</b></li> </ul>	Capacity issues in car parks in Gerrards Cross and Beaconsfield. Parking issues in Iver.	accommodation purposes. Use s106 funding (£1.9m) Project to expand Gerrards Cross C/Park Strategic asset review to include identification of car parking expansion/development opportunities
<ul style="list-style-type: none"> <li><b>Maximising use of Property Assets</b></li> </ul>	Need to generate additional income to help bridge funding gap. Need to identify housing sites Car parking issues	Carry out strategic asset review Explore innovative development projects, funded by prudential borrowing. Explore specific development opportunities in Beaconsfield.
<ul style="list-style-type: none"> <li><b>Leisure needs, incl Farnham Park</b></li> </ul>	GLL contract renewal in 2020. Potential impact of closure of Evreham Centre. Evreham operation is subsidised by SBDC. Issues from Open spaces needs review. Improving the financial position of the Farnham Park site. Financial performance of Academy site leads to need to redevelop the site	Use results of Open spaces needs review to develop plans for alternative options to meet needs current provided at Evreham. Opportunity to reduce Evreham revenue subsidy. Potential income from Academy redevelop to pump prime other projects.
<ul style="list-style-type: none"> <li><b>Supporting local businesses</b></li> </ul>	Expanding and improving broadband quality and coverage in the area. With increased reliance on business rates funding important to sustain and grow tax base.	Work with LEP and BA on investment to support businesses. Examine potential from strategic asset review to develop business sector.
<ul style="list-style-type: none"> <li><b>The local environment</b></li> </ul>	Concern over impact of major developments in Iver area. Implications of Local Plan, and any green belt release.	Update strategic asset review work in the context of the new Local Plan. Work with LEP and BA on infrastructure investment in the Iver area to mitigate local issues.
<ul style="list-style-type: none"> <li><b>Joint Working incl Transformation</b></li> </ul>	Need to address funding gap forecast to arise by 2020 from ending of Govt grant. Responding to changing needs of residents and customers. Need to maintain drive for efficiency in service delivery.	Stronger in Partnership Programme. Office Accommodation plans to reduce Capswood costs. Further joint service opportunities.

## Elements Supporting the Financial Strategy

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

- Sustainable Communities Strategy

## Classification: OFFICIAL

- 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 Committee. 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.

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.

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

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.

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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. South Bucks is classified as a high resources/low needs authority and as such by 2020 will not 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 £410k. The consequence of this change is that if no action is taken to reduce net expenditure there will be a funding gap of up to £1.6m by 2019/20.

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.

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

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- 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 major national infrastructure projects, 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 2021.

#### 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. However, there is a will also be a need to identify how the Council can grow revenue from non-traditional sources, and find other efficiencies. Some of these projects will require capital investment.

The Council's capital resources are diminishing, available capital receipts at the end of 2015/16 were £6.1m. 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.

- New income streams will be investigated, including undertaking investment in property for commercial objectives, where there is a sound business case and a significant benefit to the authority after allowing for financing costs. This will be informed by the results of the Strategic Asset Review undertaken in 2016.
- 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.

## Classification: OFFICIAL

- 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.

As it is likely that some of the savings projects undertaken by the Council will have a gap between incurring the costs of change and the financial benefits being realised, it is likely that reserves will be required to bridge this timing gap. This is likely to be the case in the first years of the period covered by the Strategy.

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 ensure reserves do not fall below the planned minimum level which will be £1.25m.

The strategy will aim to add to the General Fund reserve over the period. At the beginning of 2016/17 the usable General Reserve stood at £2.48m. In 2016/17 the intention is to increase the General Reserve by:

- The net additional business rates income achieved as a result of business rates pooling in 2016/17.
- The initial benefits from the debt recovery project underway

In future years the General Fund will benefit from further gains from the debt recovery project, and if business rates pooling is undertaken again before 2019/20. Also there is the potential to achieve on one off revenue payment associated with the redevelopment of the Academy site.

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, including an initial estimate for planning purposes of the benefits from investment in income generating projects.
- 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 a remaining gap between income and expenditure of around £300k to £400k per annum. There is also potential risks around The Government's review of the distribution of its funding to local authorities from 2020/21. Therefore the Strategy implies that further work will be undertaken in the following areas:

- Maximising the return from the investment in income generating projects
- Optimise the major income streams by minimising costs and overheads, and having appropriate charging strategies.
- Improve efficiency through the Stronger in Partnership Programme.

In the medium term it is likely that use of reserves will be required to bridge the timing gap arising from bringing all the changes referred to into effect. This will be feasible without reaching the Strategy's minimum level of reserves.

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

**SOUTH BUCKS DC MEDIUM TERM FINANCIAL FORECAST 2017 – 2022**

	2017/18	2018/19	2019/20	2020/21	2021/22
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	£'000	£'000	£'000	£'000	£'000
-					
<b>Income</b>	0	0	0	0	0
Non Domestic Rates - Baseline	-1032	-1062	-1096	-1129	-1163
Non Domestic Rates - Growth	-500	-500	-600	-600	-600
Revenue Support Grant	-57	0	0	0	0
New Homes Grant	-835	-907	-1026	-877	-827
General Grants - Transition Grant	-80	0	0	0	0
General Grants - Other	0	0	0	0	0
Tariff / Top Up Adjustment	0	0	414	414	414
Investment Income	-200	-200	-100	-50	-50
Collection fund (surplus)/deficit	0	0	0	0	0
<b>TOTAL INCOME</b>	-2704	-2669	-2408	-2242	-2226
<b>Service Expenditure</b>					
Environment	2642	2695	2749	2804	2860
Healthy Communities	1011	1031	1102	1124	1146
Resources	3663	3736	3811	3887	3965
Sustainable Development	977	997	1017	1037	1058
<b>New Pressures</b>					
Add Pension Deficit Contribution	50	100	150	150	150
Council Elections	0	0	70	0	0
Waste - Procurement Costs	0	0	0	75	75
Waste retender - Cost Change	0	0	0	0	0
<b>New Savings</b>					
Shared Service Reviews	-50	-100	-100	-100	-100
Additional inc from GX car park	0	-209	-250	-268	-260
Increased inc from all car parks	0	-90	-90	-90	-90
Phase 3 Stronger in Partnership	0	-100	-300	-300	-300
Additional income from Police Site	0	-50	-100	-100	-100
Additional inc from New Projects	0	-300	-350	-469	-656
	8293	7710	7709	7750	7748
<b>Financing Costs</b>					
Notional Interest – Capswood	211	193	174	154	132

	2017/18	2018/19	2019/20	2020/21	2021/22
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	£'000	£'000	£'000	£'000	£'000
-					
Borrowing Costs - Interest	100	223	264	308	347
Borrowing Costs - Repayment	0	250	306	355	416
	311	666	744	817	895
-					
<b>Contributions to / (from) Reserves</b>					
Contribution to / (from) LDF Fund	-219	-219	-219	-219	-219
Contribution to / (from) other resvs	0	0	0	0	0
Contribution to / (from) General reserves	-756	0	-70	-75	-75
Revenue Funding of Capital	0	0	0	0	0
	-975	-219	-289	-294	-294
<b>NET EXP (Precept Required)</b>	4925	5488	5756	6031	6123
<b>COUNCIL TAX CALCULATION</b>					
Tax base (Band D equivalents)	32188	32628	32998	33398	33698
Tax Rate (£ per Band D)	153	158	163	168	173
<b>Precept Collectable</b>	4925	5155	5379	5611	5830
<b>Savings Required</b>	0	-333	-377	-420	-293

**SOUTH BUCKS DC CAPITAL PROGRAMME 2017 – 2022**

	<b>Original Budget 17/18 £</b>	<b>Original Budget 18/19 £</b>	<b>Original Budget 19/20 £</b>	<b>Original Budget 20/21 £</b>	<b>Original Budget 21/22 £</b>
<b><u>New Projects</u></b>					
Police Site, GX	2,000,000				
New Projects	2,000,000	2,000,000	2,250,000	2,500,000	
<b><u>Environment</u></b>					
Beaconsfield Common Land	22,500	15,000	15,000	15,000	15,000
Refuse Vehicles					1,500,000
Recycling Initiatives & Bins	58,000	58,000	58,000	58,000	58,000
Car Park Enhancements	10,000	10,000	10,000	10,000	10,000
Station Road Car Park, GX	8,000,000	500,000			
Academy Redevelopment	80,000				
<b><u>Healthy Communities</u></b>					
Evreham R&R Contribution	22,000	22,000	22,000	22,000	22,000
Home Renovation Grants / Flexible Home Loans	50,000	50,000	50,000	50,000	50,000
Housing Salaries	50,000	50,000			
Disabled Facility Grants	540,000	540,000	540,000	540,000	540,000
<b><u>Support Services</u></b>					
ICT Projects - Cemeteries Software	15,000				
Capswood Maintenance	60,000	100,000	95,000	50,000	50,000
Other Capital Works	171,000	51,000	51,000	51,000	51,000
	<b>13,078,500</b>	<b>3,396,000</b>	<b>3,091,000</b>	<b>3,296,000</b>	<b>2,296,000</b>

**Funded by**

DFG's via Better Care Fund  
 Transformation Reserve  
 Use of s106 monies  
 Revenue Funding of Capital  
 Borrowing for New Projects  
 Capital Receipts / Capital  
 Contributions

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
DFG's via Better Care Fund	450,000	450,000	450,000	450,000	450,000
Transformation Reserve	0	0	0	0	0
Use of s106 monies	2,000,000	0	0	0	0
Revenue Funding of Capital					
Borrowing for New Projects	10,000,000	2,500,000	2,250,000	2,800,000	1,846,000
Capital Receipts / Capital Contributions	628,500	446,000	391,000	46,000	0
	<b>13,078,500</b>	<b>3,396,000</b>	<b>3,091,000</b>	<b>3,296,000</b>	<b>2,296,000</b>

Opening Capital Receipts Reserve  
 New Capital Receipts  
 New General Capital Contributions  
 Use of Capital Receipts / Capital Contributions  
**Closing Capital Receipts Reserve**

Opening Capital Receipts Reserve	1,516,508	888,008	442,008	51,008	5,008
New Capital Receipts	0	0	0	0	0
New General Capital Contributions	0	0	0	0	0
Use of Capital Receipts / Capital Contributions	-628,500	-446,000	-391,000	-46,000	0
<b>Closing Capital Receipts Reserve</b>	<b>888,008</b>	<b>442,008</b>	<b>51,008</b>	<b>5,008</b>	<b>5,008</b>

# Medium Term Financial Strategy Process

