

## **Report to Council**

**Subject:** Council Tax 2017/18

**Date:** 1 March 2017

**Author:** Leader of the Council

### **Wards Affected**

Borough wide.

### **Purpose**

This report summarises the Council's General Fund Revenue Budget for 2017/18. The report also includes information about the Council's external funding support, and sets out the basis from which decisions can be made regarding the Council Tax level for 2017/18.

### **Key Decision**

This is a key decision.

### **Background**

- 1.1 The Council Tax is a tax on property, with personal elements in the form of discounts for dwellings with fewer than two relevant residents, and reductions awarded under the approved Council Tax Reduction Scheme. All dwellings are listed in one of eight valuation Bands. The headline Council Tax is calculated for a Band D property and the tax for each of the remaining bands is calculated as a proportion of this amount. The lowest, Band A, is two thirds of Band D and the highest, Band H, is twice Band D and three times Band A. The proportions are therefore:

Band A 6/9	Band E 11/9
Band B 7/9	Band F 13/9
Band C 8/9	Band G 15/9
Band D 9/9	Band H 18/9

- 1.2 The Council and its Members have several legal duties when making decisions in relation to the revenue budget and the Council Tax. The Council must:

- Act in accordance with its statutory duties and responsibilities;
  - Act reasonably;
  - Not act in breach of its fiduciary duty to its Ratepayers and Council Taxpayers.
- 1.3 As part of the Budget and the Council Tax setting process, the Council is required by the Localism Act 2011 to calculate its Council Tax Requirement for the year. These calculations must be made before 11 March (ie. by midnight on 10 March) although they are not invalid merely because they are made on or after this date. However, until the calculations are made, any attempt to set the Council Tax will be treated as null and void. The Council has a clear legal duty to set a Council Tax and a resolution not to do so would be unlawful, being in breach of Section 30 of the Local Government Finance Act 1992. Similarly, a resolution to set a Council Tax that deliberately did not balance the various calculations would also be unlawful.
- 1.4 The final stage of the Council Tax setting process is for the Council as billing authority to set the overall Council Tax for each Band. Whereas the billing authority and major preceptors each calculate their own budget requirements, basic amounts and the amounts of each Band, the setting of the Council Tax is solely the responsibility of Gedling Borough Council as billing authority.
- 1.5 Formal notifications of precept requirement have not yet been received from Nottinghamshire County Council, the Office of the Police and Crime Commissioner, or the Fire Authority. Further details are provided below at paragraphs 2.5.5 to 2.5.7 and final information will be given at the meeting. Amounts in respect of parish precepts are also shown below at paragraph 2.5.8.
- 1.6 As reported to Cabinet on 16 February 2017, during the settlement process for 2016/17 the Government offered all Councils a four-year funding settlement for 2016/17 to 2019/20 conditional upon the publication of an efficiency plan. Gedling, along with all but ten other Councils, accepted this offer in order to gain funding certainty and to allow more proactive planning of service delivery.
- 1.7 The Council's Settlement Funding Assessment (SFA) for 2017/18 totals £3,653,500 and represents the aggregate of revenue support grant of £780,500 and estimated retained business rates of £2,873,000. The SFA represents a cash reduction of £577,700 or 13.7% from the comparative figure for 2016/17.
- 1.8 The cumulative settlement grant reduction over the 2016/17 to 2019/20 spending review period equates to 39%, or £1.9m in cash terms, when

compared to the 2015/16 base position. The total reduction in settlement grant when compared to the amount received in 2010/11 will be 66%, or £5.8m, by 2019/20. Settlement grant now accounts for 29% of Gedling's net budget, compared to 60% in 2010/11.

- 1.9 The New Homes Bonus (NHB) was introduced in 2011/12 and is funded from the centrally retained share of Business Rates income. It is paid as a separate non ring-fenced grant, which is not part of the SFA. When it was introduced, NHB was intended to be a predictable and permanent feature of local government funding, however, during 2016/17 the Government confirmed changes which will deliver savings to fund pressures in social care. Changes include reducing the length of time for which NHB is paid, initially from six years to five in 2017/18 and then to four in 2018/19, and the introduction of a baseline tax-base growth of 0.4% which means that Councils will need growth greater than 0.4% in a year before any NHB is receivable for that year. The affordable homes premium does however continue, irrespective of the baseline, but this is financially insignificant.
- 1.10 Such uncertainty around the New Homes Bonus means that it is prudent to assume zero NHB support for revenue financing in future years and the estimated impact of this on the 2017/18 budget is an additional grant reduction of £740,500.
- 1.11 The Government forecasts the Council's cumulative reduction in overall core spending power, which includes SFA, NHB, and council tax receipts (assumed at the maximum possible increases), to be 15.1% by 2019/20 when compared to 2015/16. Given that the Council considers that Government assumptions with regard to NHB are unrealistic, it is estimated that a more likely forecast may be a reduction of 23.2%.
- 1.12 The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement an increase above the Government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise. The referendum limit for 2017/18 for all shire districts has been set at a 2% or £5 increase, whichever is greater. Any Council which sets an increase greater than this, and does not get support from the electorate via the referendum, will have to revert to a Council Tax level that is compliant, and bear the cost of re-billing its residents.

## **Proposal**

### **2.1 Proposed Portfolio Budget 2017/18**

The proposed budgets for 2017/18, as recommended to Cabinet on 16

February, are summarised in the table below:

<b>Portfolio:</b>	<b>£</b>
Community Development	1,556,700
Housing, Health and Well-being	2,365,800
Public Protection	1,649,200
Environment	4,765,400
Growth and Regeneration	985,800
Resources and Reputation	1,833,100
<b>Net Portfolio Budget</b>	<b>13,156,000</b>
Transfer to/(from) Earmarked Reserves	(674,900)
<b>Base Budget 2017/18</b>	<b>12,481,100</b>

The Government has not announced any additional funding for local authorities not increasing Council Tax in 2017/18.

## **2.2 Consultation with Non-Domestic Ratepayers**

In accordance with Section 65 of the Local Government Finance Act 1992, consultation with representatives of Non-Domestic Ratepayers has been undertaken. No responses were received by the end of the consultation period.

## **2.3 The General Fund Balance**

The General Fund balance at 1 April 2017 is estimated to be £5,595,000.

If the maximum permissible Council Tax increase of £5 (3.27%) is approved, a contribution from balances of £587,700 will be required in 2017/18. This will allow prudent provision for the support of General Fund expenditure in the medium term. Members will need to consider the use of balances when determining the Council Tax for 2017/18.

## **2.4 Robustness of Estimates**

2.4.1 Sections 25 and 26 of the Local Government Act 2003 place a personal duty on the Chief Finance Officer to make a report to Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of reserves.

The Act requires Members to “have due regard to the report in making their decisions”. Where this advice is not accepted, it should be formally

recorded within the minutes of the Council Meeting.

Under Section 25 of the Local Government Act 2003, the Section 151 Officer is required to provide a commentary assessing the robustness of the estimates when Cabinet and Council are considering the budget proposals.

The key strategic risks in considering the 2017/18 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan were reported to Cabinet on 16 February, and are also detailed in paragraphs 2.4.2 to 2.4.8 below.

#### 2.4.2. Financial Settlement/Funding Streams

The Comprehensive Spending Review of 2015 and Autumn Statement 2016 identified a number of significant changes to future local government financial settlements and grant funding. The overall message is one of continuing financial restraint which in itself creates some degree of inherent risk. The following specific items carry a particular risk for this authority:

Business Rates Retention: It is intended that over the spending review period that Business Rates will be 100% retained locally and the Central Government support in respect of Revenue Support Grant (RSG) will be phased out. The intention is that this will be fiscally neutral and in order to achieve this, additional responsibilities will need to be transferred to Local Government. Any retention of Business Rates will still require a mechanism to ensure funding is distributed in respect of need which will create winners and losers. With an obvious emphasis already included in the Spending Review to support upper tier authorities in respect of their funding for social care, there is a real risk that district councils could lose further under any new allocation process.

In addition, care will need to be had to ensure that new transferred responsibilities are capable of being fully funded in both the short and long term.

The current retention of Business Rates has shown the volatility of this funding in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates or closes. These changes are likely to require local authorities to hold higher levels of reserves in the future.

New Homes Bonus (NHB): there is a significant impact arising from changes to this funding stream due to the introduction of a 0.4% growth baseline resulting in a zero NHB for the 2017/18 year. Whilst there is still

an opportunity to receive NHB in the future if growth levels increase, it is considered that there is a significant downside risk to this arising and it is no longer prudent to rely on this funding stream to support the revenue budget. Therefore the Medium Term Financial Plan (MTFP) assumes future payments will be zero. In the event that the Council does receive some NHB in the future, this will be used to support projects or be transferred to balances to support future budget setting.

Council Tax: The Government's Core Spending Power figures are based on the assumption that Council Tax will be increased by 2% or £5 per annum whichever is greater, and that significant growth in the tax-base will be achieved by the creation of additional hereditaments. These may be optimistic assumptions and in any case leave very little room for local discretion to set a higher Council Tax in order to plug any funding gaps. The MTFP contained in this report assumes that the maximum increase will be applied in each year of the plan but the actual increase will be determined on an annual basis by Council. Any increase below the maximum allowed will require an increase in the budget reduction targets to ensure a balanced budget can be set.

Economic Growth/Inflation: The Chancellor has based future spending decisions on estimates of future growth and an assumption on inflation. Although these figures are supported by the independent Office of Budget Responsibility there is a degree of uncertainty in these figures, especially following the Brexit decision. Whilst there is now more certainty of future Settlement funding due to the acceptance of the four year settlement offer, effectively this does now result in zero RSG from 2019/20 and with New Homes Bonus also reducing to zero any future pressure arising from an economic downturn would need to be managed within local resources i.e. from further budget reductions. A commercial strategy is currently being developed which will be implemented to support the achievement of a balanced budget through new income streams and increased efficiency to ensure a minimum adverse impact on service levels. Inflation assumptions have been incorporated in the MTFP, including a 1% pay award for the next five years.

- 2.4.3 A minimum balance of 7.5% of total projected net expenditure on the General Fund is recommended by the Chief Financial Officer to be a prudent amount given the scale of the business conducted by the Council. The external auditor regards this level of balance on the General Fund to be satisfactory, and it is also appropriate to reflect uncertainties in the financial position in the medium term. The minimum balance required for 2017/18 is £936,100.
- 2.4.4 Current spending plans in the MTFP show a surplus of £4,071,200 in 2017/18 declining to a deficit on balances of £636,100 by the end of

2019/20, if no new efficiency plans are progressed during the period of the MTFP. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure. MTFP projections show that this can only be accommodated within available balances by setting additional spending reduction targets for 2018/19 onward. If the proposed target of £1,900,000 is approved, the surplus on balances by 2021/22 will be £828,500. Whilst this does not leave an annual deficit between income and expenditure to be managed beyond the five-year horizon (assuming all budget assumptions are accurate) this does still not leave significant capacity to manage future budget pressures that may arise which will have to be managed by further budget reductions.

Inclusion of future non-costed savings targets: The MTFP can only be balanced by the inclusion of £1.9m of future savings targets. Usually when future efficiency savings are included in our financial planning processes these figures have robust outline business cases, but in this case these targets have been assessed as the minimum figure required in each year in order to deliver a sustainable plan. Although the Council has a good track record of delivering efficiencies and identifying areas for reduction/savings, this element of the MTFP is less robust than that which is usually acceptable and therefore has a greater degree of uncertainty than is usually acceptable. The challenges that lie ahead are therefore even greater than in previous years, although this plan is overall still considered robust. It must be recognised that these uncertainties have been caused by the change to NHB by the Government which were not anticipated and did not feature as part of the consultation process. Furthermore, Gedling is not alone in facing this challenge, it is a national problem, and it is better placed than most Councils to react and to develop strategies to meet the set efficiency targets.

- 2.4.5 Initiatives introduced to manage within reduced resources bring increased risks both financially and in terms of service delivery. For example:

Reduced maintenance budgets: these can be accommodated in the medium term but may bring pressures in the longer term as major capital investment plans may need to be accelerated as assets deteriorate faster;

Earmarked reserves: reserves for specific purposes and risk management have been reviewed and will be managed at minimum requirement levels providing less scope for managing emerging risks. However, additional reserves have been set aside for the potential staffing redundancy and transfer costs in respect of the move of rent allowance payments to the Universal Credit system.

- 2.4.6 The Council continues with activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes and is an approach which is integral

to the Council's efficiency programme. However, a significant number of the Council's partners are public sector organisations which are also facing significant budget pressures and changing roles. This places increasing risk on the Council both directly, in respect of possible withdrawal of partnership funding, and indirectly, with the Council potentially facing additional burdens resulting from budget cuts in other organisations. This is especially true in respect of the most vulnerable in society which could therefore have a direct impact on troubled families initiatives, homelessness and those with specialist housing need.

2.4.7 Although there is increased risk arising from these assumptions, it is not considered necessary to increase minimum balances above the 7.5% of total projected net expenditure as the Council is responding to the challenges through efficiency measures and service reductions. In addition it is anticipated that further efficiency plans will be developed during the summer 2017 for implementation in future years of the MTFP. It is considered that the annual and medium term budgets are robust, but given the above risk assessment the achievement of the estimated MTFP will not be easy to deliver, and will require some tough decisions to be made by Members.

2.4.8 Given the Council's excellent track record for budget management, careful budget monitoring and financial planning, which will continue, the structural deficit that remains in the Medium Term Financial Plan is considered to still be at a manageable level, although it should be expected that there may need to be some contraction of service delivery/performance given the scale of the ongoing reductions required.

## 2.5 **Council Tax 2017/18**

### 2.5.1 Tax Base

The Council's overall tax-base was determined by the Leader of the Council on 18 January 2017 as 36,306.09. The tax-base for each parish is given below at paragraph 2.5.8.

### 2.5.2 Local Government Finance Settlement

Final Settlement Funding Assessment (SFA) figures are summarised below. This level of support is not dependent on a particular level of expenditure.

<b>Funding Stream:</b>	£
Revenue Support Grant	780,539
Business Rates - Baseline Funding Level	2,872,992
<b>Settlement Funding Assessment (SFA) excl NHB</b>	<b>3,653,531</b>

### 2.5.3 The Collection Fund

The Collection Fund continues to operate for Council Tax requirements, and following the introduction of the Business Rates Retention regime on 1 April 2013, also for NNDR.

The estimated Council Tax deficit of £1,500,000 declared at 15 January 2017 will be shared by the authorities precepting on the Council Tax Collection Fund as follows:

<b>Preceptor:</b>	<b>£</b>
Nottinghamshire County Council	1,129,650
Nottinghamshire Police & Crime Commissioner	157,500
Combined Fire Authority	64,650
Gedling Borough Council	148,200
<b>Total declared DEFICIT</b>	<b>1,500,000</b>

An estimated NNDR surplus of £583,482 was declared on 31 January 2017. This will be split as follows:

<b>Proportionate Share:</b>	<b>£</b>
Central Government 50%	291,741
Gedling Borough Council 40%	233,393
Nottinghamshire County Council 9%	52,513
Combined Fire Authority 1%	5,835
<b>Total declared SURPLUS</b>	<b>583,482</b>

The impact of these surpluses and deficits are included in the Medium Term Financial Plan.

### 2.5.4 Gedling Borough Council – Council Tax 2017/18

Cabinet have recommended a net budget of £12,481,100 and a Council Tax increase of £5 (3.27%) for 2017/18. The summary of the proposed budget and the amount to be raised by Council Tax of £5,738,900 is detailed in the table below, together with the estimated position on the General Fund Balances:

<b>Budget 2017/18:</b>	£
<b>Total Portfolio Budget:</b>	<b>12,481,100</b>
Less:	
Settlement Funding Assessment (SFA)	(3,653,500)
New Homes Bonus	(1,659,800)
Council Tax (surplus)/deficit declared 15 Jan 17	148,200
NNDR growth, renewables & collection fund deficit	(989,400)
Contribution from balances in the year	(587,700)
<b>COUNCIL TAX REQUIREMENT</b>	<b>5,738,900</b>
<b>General Fund Balance:</b>	
Estimated General Fund Balance at 1 April 2017	5,595,000
Transferred from balances during 2017/18 to support General Fund expenditure	(587,700)
<b>ESTIMATED GENERAL FUND BALANCE AT 1 APRIL 2018</b>	<b>5,007,300</b>
Minimum required General Fund balance at 1 April 2018	936,100

Gedling Borough Council's proposed Council Tax of £158.07 is calculated by dividing the amount to be raised through the Council Tax (£5,738,900) by the tax base (36,306.09). This produces an amount per Band D property.

#### 2.5.5 Nottinghamshire Police and Crime Commissioner

Formal notification has been received from the Nottinghamshire Police and Crime Commissioner, following agreement of the precept by the Police and Crime Panel on 6 February. The Council Tax will rise by 1.95%, which produces an amount per Band D property of £183.42.

#### 2.5.6 Combined Fire Authority

The Combined Fire Authority will meet on Friday 24 February 2017. Current indications are that its Council Tax will rise by 1.95% and further information will be given to Council at the meeting.

#### 2.5.7 Nottinghamshire County Council

Nottinghamshire County Council will meet on Thursday 23 February 2017. Current indications are that its Council Tax will rise by 4.75%, including the additional 3% permitted for adult social care, and further information will be

given to Council at the meeting.

## 2.5.8 Parish Precepts

Parish Councils are required to give formal notice of their precept requirements for 2017/18 by 1 March 2017. Those that have already been received at the time of writing are detailed below, together with the provisional notifications received from the remainder. Anticipated parish precepts total £633,551, an increase of 8.46% on those declared for 2016/17.

Due to the nature of its calculation, the Council Tax Reduction Scheme (CTRS) introduced in April 2013 results in a significant reduction in the tax-base, including that in respect of the parishes, and this reduces the ability to raise additional revenue from Council Tax increases. The Settlement Funding Assessment (SFA) includes non-ringfenced CTRS grant, which in turn includes an amount to fund the impact of tax-base reductions on local parish precepts. Following its incorporation into the SFA, the specific grant amount in respect of the CTRS is no longer identifiable or quantifiable, however it is reasonable to assume that it is reducing in line with SFA reductions, and will be removed entirely by 2019/20.

As CTRS grant is not protected from SFA reductions, the amount of the grant to be paid to parishes must be determined on an annual basis and it is proposed that the grant for 2017/18 be reduced by £7,200 to £33,500. Further cuts to Gedling's funding are anticipated in the next few years, and further reductions in the level of parish support will be considered in future budget processes.

Parish:	Precept 2017/18 £	Tax Base 2017/18	Band D 2017/18 £	Band D 2016/17 £	+/- £	+/- %
Bestwood	29,905	1,533.57	19.50	19.30	+0.20	+1.04
Burton Joyce	143,406	1,442.61	99.41	88.77	+10.64	+11.99
Calverton	184,500	2,182.62	84.53	80.88	+3.65	+4.51
Colwick	30,950	856.90	36.12	34.96	+1.16	+3.32
Lambley	15,502	485.95	31.90	31.90	Nil	Nil
Linby	10,567	145.81	72.47	72.65	-0.18	-0.25
Newstead	14,762	359.78	41.03	41.03	Nil	Nil
Papplewick	10,062	276.47	36.39	35.58	+0.81	+2.28
Ravenhead	125,928	2,711.87	46.44	45.18	+1.26	+2.79
Stoke Bardolph	324	52.60	6.16	6.88	-0.72	-10.47
Woodborough	67,645	920.33	73.50	55.34	+18.16	+32.82

Percentage movements in parish precepts and Band D charges may seem high but Members should note that due to the size of the figures involved,

relatively modest monetary increases can result in significant percentage changes. There is no referendum limit set for parish councils for 2017/18.

### **Alternative Options**

Had Cabinet chosen not to recommend a budget to Council this would have been in contravention of the Council's constitution and would not be in compliance with the Local Government Finance Act 1992.

Recommending an alternative budget may alter the level of recommended Council Tax for 2017/18.

### **Financial Implications**

All financial implications are discussed within the report.

### **Appendices**

None

### **Background Papers**

CLG Settlement report - Local Government Finance in England 2017/18  
Prudential Indicators and Treasury Management Strategy Statement (TMSS) 2017/18  
Capital Programme Report 2017/18  
Gedling Plan Report 2017/18  
Precept notifications 2017/18

### **Recommendation**

That:

- (1) Members determine the application of fund balances, or contributions to balances.
- (2) Members recommend the calculations for 2017/18 required by sections 31-36 of the Local Government Finance Act 1992 and the amounts set as Council Tax for each category of dwelling.

### **Reasons for Recommendations**

To set the Council Tax for 2017/18 and comply with the requirements of the Local Government Finance Act 1992.

**For more information, please contact:**

Alison Ball, Financial Services Manager, on 0115 901 3980.