

Report to Council

Subject: Council Tax 2018/19

Date: 5 March 2018

Author: Leader of the Council

Wards Affected

Borough wide.

Purpose

This report summarises the Council's General Fund Revenue Budget for 2018/19. 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 2018/19.

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 notification of precept requirement has not yet been received from Nottinghamshire County Council. Further details are provided below at paragraphs 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 15 February 2018, 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 2018/19 totals £3,344,200 and represents the aggregate of revenue support grant of £384,900 and estimated retained business rates of £2,959,300. The SFA represents a cash reduction of £309,300 or 8.5% from the comparative figure for 2017/18.
- 1.8 The cumulative settlement grant reduction over the 2016/17 to 2019/20 spending review period equates to 40%, or £1.97m 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 £5.9m, by 2019/20. Settlement grant now accounts for 28% 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, permanent and enduring feature of local government funding. The principle is to reward authorities for each new property completed within their boundary, and to offer an additional reward for returning empty properties back into use.
- 1.10 During 2016/17, the Government confirmed changes to NHB, the aim of which was to deliver savings to fund pressures in social care. Changes include reducing the length of time for which NHB is paid, from six years to five in 2017/18 and now 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. Payments for residential developments allowed on appeal will also be with-held from 2018/19.
- 1.11 The 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 2018/19 budget is a further grant reduction of £803,200.
- 1.12 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 21.6% by 2019/20 when compared to 2015/16, **making Gedling the 6th worst affected council in the country.**
- 1.13 The government has published a consultation on the implementation of a "Fair Funding Review" in April 2020 - the aim of which is to reassess funding baselines for local government, the methodology of which was introduced over ten years ago and has not been updated since the introduction of the business rates retention system in 2013/14.
- 1.14 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 2018/19 for all shire districts has been set at a 3% 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 2018/19

The proposed budgets for 2018/19, as recommended to Cabinet on 15 February, are summarised in the table below:

Portfolio:	£
Community Development	1,457,000
Housing, Health and Well-being	2,409,100
Public Protection	1,459,600
Environment	4,426,200
Growth and Regeneration	868,200
Resources and Reputation	1,535,800
Net Portfolio Budget	12,155,900
Transfer to/(from) Earmarked Reserves	(10,700)
Base Budget 2018/19	12,145,200

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 2018 is estimated to be £5,711,700.

If the maximum permissible Council Tax increase of £5 (3.16%) is approved, a contribution from balances of £1,278,800 will be required in 2018/19. 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 2018/19.

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 2018/19 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan were reported to Cabinet on 15 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, Autumn Statement 2016 and Local Government Finance Settlement December 2017 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: The Government intends to introduce 75% business rates retention by 2020. It continues to pilot the 100% business rates retention scheme but it is not yet clear when this might be introduced. It was initially intended to introduce a Bill into Parliament early in 2017 for introduction to coincide with the phasing out of Revenue Support Grant, but this has been delayed. The four-year settlement ends in 2019/20 and it is a concern that there is no clarity over funding levels after March 2020. This hampers meaningful financial planning at a time when demand pressures are increasing. The intention of the retention scheme is that it 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, and this will be determined by the recently announced Fair Funding Review. 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 both 2017/18 and 2018/19 years. 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 that 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 3% 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 a £5 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 £5 will require an increase in the budget reduction targets to ensure that 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

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 pay awards. The Chancellor recently removed the 1% public sector pay cap and this has also impacted on pay expectations in local government. Employers have offered an average 3% pay award for 2018/19 (which at the time of writing has been rejected by the unions) and an average 2.8% award for 2019/20. Pay awards of 2% have been included for 2020/21 to 2022/23. It is considered that these are realistic assumptions but uncertainties in the economy present a risk that future awards could be higher.

- 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 2018/19 is £910,900.
- 2.4.4 Current spending plans in the MTFP show a surplus of £3,522,000 in 2018/19 declining to a deficit on balances of £1,384,800 by the end of 2022/23, 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 2019/20 onward. If the proposed target of £1,100,000 is approved, the surplus on balances by 2022/23 will be £897,700. 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 and inflation 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 £1.1m 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.

In addition, the Council already has a substantial programme of budget

reductions planned for delivery. Whilst risk provisions and transformation funds have been approved, which mitigate the risk of non-delivery, the increasing scale of the programme, which also contains more projects that contain uncertainties inherent in more innovative commercial approaches, presents an increasing downside risk to successful delivery. Programmes are regularly monitored, and progress reported to Cabinet, to manage this risk.

The challenges that lie ahead are therefore even greater than in previous years, although this plan is overall still considered robust. Gedling is not alone in facing this challenge, it is a national problem, and it is better placed than most councils to react and develop strategies to meet the new 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 2018 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 2018/19**

2.5.1 Tax Base

The Council's overall tax-base was determined by the Leader of the Council on 18 January 2018 as 36,637.56. 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.

Funding Stream:	£
Revenue Support Grant	384,900
Business Rates - Baseline Funding Level	2,959,300
Settlement Funding Assessment (SFA) excl NHB	3,344,200

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 Non Domestic Rates (NDR).

The surplus/deficit for Council Tax was estimated on 15 January 2018 as Nil, therefore there will be no adjustment to be shared by the authorities precepting on the Council Tax Collection Fund in 2018/19.

An estimated NDR deficit of £707,692 was declared on 31 January 2018. This will be split as follows:

Proportionate Share - NDR:	£
Central Government 50%	353,846
Gedling Borough Council 40%	283,077
Nottinghamshire County Council 9%	63,692
Combined Fire Authority 1%	7,077
Total declared DEFICIT	707,692

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

2.5.4 Gedling Borough Council – Council Tax 2018/19

Cabinet have recommended a net budget of £12,145,200 and a Council Tax increase of £5 (3.16%) for 2018/19. The summary of the proposed budget and the amount to be raised by Council Tax of £5,974,500 is detailed in the table below, together with the estimated position on the General Fund Balances:

Budget 2018/19:	£
Total Portfolio Budget:	12,145,200
Less:	
Settlement Funding Assessment (SFA)	(3,344,200)
New Homes Bonus	(856,700)
Council Tax (surplus)/deficit declared 15 Jan 18	0
NNDR growth, renewables & collection fund deficit	(691,000)
Contribution from balances in the year	(1,278,800)
COUNCIL TAX REQUIREMENT 2018/19	5,974,500
General Fund Balance:	
Estimated General Fund Balance at 1 April 2018	5,711,700
Transferred from balances during 2018/19 to support General Fund expenditure	(1,278,800)
ESTIMATED GENERAL FUND BALANCE AT 1 APRIL 2019	4,432,900
Minimum required General Fund balance at 1 April 2019	910,900

Gedling Borough Council's proposed Council Tax of £163.07 is calculated by dividing the amount to be raised through the Council Tax (£5,974,500) by the tax base (36,637.56). This produces an amount per Band D property.

2.5.5 Nottinghamshire Police and Crime Commissioner

Formal notification of precept has been received from the Nottinghamshire Police and Crime Commissioner, following the meeting of the Police and Crime Panel on 7 February 2018. The Council Tax will rise by 6.53%, which produces an amount per Band D property of £195.39.

2.5.6 Combined Fire Authority

Formal notification of precept has been received from the Combined Fire Authority following its meeting on Friday 16 February 2018. The Council Tax will rise by 2.95%, which produces an amount per Band D property of £77.51.

2.5.7 Nottinghamshire County Council

Nottinghamshire County Council will meet on Wednesday 28 February 2018. Current indications are that its Council Tax will rise by 4.99%, including an additional 2% 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 2018/19 by 1 March 2018. 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 £672,549, an increase of 6.16% on those declared for 2017/18.

The Council Tax Reduction Scheme (CTRS) introduced in April 2013 resulted 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 therefore that it will have been 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 2018/19 be reduced by £11,200 to £22,300 and to zero by 2020/21, although further reductions in the level of parish support will be considered as part of future budget processes.

As the result of a Community Governance review, Bestwood St Albans parish

council will be abolished on 31 March 2018 and replaced by two new ones, Bestwood Village Parish Council and St Albans Parish Council. Precepts for the two new parishes have been set by Gedling Borough Council as part of the Order establishing the parish councils, and are included in the table below. There are accordingly no comparatives available.

Parish:	Precept 2018/19 £	Tax Base 2018/19	Band D 2018/19 £	Band D 2017/18 £	+/- £	+/- %
Bestwood Village	18,400	613.65	29.98	n/a	n/a	n/a
Burton Joyce	147,698	1,458.48	101.27	99.41	+1.86	+1.87
Calverton	191,775	2,204.78	86.98	84.53	+2.45	+2.90
Colwick	30,000	859.11	34.92	36.12	-1.20	-3.32
Lambley	16,100	493.09	32.65	31.90	+0.75	+2.35
Linby	12,314	157.39	78.24	72.47	+5.77	+7.96
Newstead	15,333	366.37	41.85	41.03	+0.82	+2.00
Papplewick	11,880	277.23	42.85	36.39	+6.46	+17.75
Ravenshead	130,944	2,738.64	47.81	46.44	+1.37	+2.95
St Albans	26,662	919.39	29.00	n/a	n/a	n/a
Stoke Bardolph	1,160	52.93	21.92	6.16	+15.76	+255.84
Woodborough	70,283	927.86	75.75	73.50	+2.25	+3.06

Percentage movements for parishes may on occasion appear excessive, however Members should note that where precepts are very small, modest monetary increases can result in significant percentage changes. There is no referendum limit set for parish councils for 2018/19.

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 2018/19.

Financial Implications

All financial implications are discussed within the report.

Appendices

None

Background Papers

CLG Settlement report - Local Government Finance in England 2018/19
Prudential Indicators and Treasury Management Strategy Statement
(TMSS) 2018/19
Capital Programme Report 2018/19
Gedling Plan Report 2018/19
Precept notifications 2018/19

Recommendation

That:

- (1) Members determine the application of fund balances, or contributions to balances.
- (2) Members recommend the calculations for 2018/19 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 2018/19 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.