

## **Report to Council**

**Subject:** Council Tax 2014/15

**Date:** 3 March 2014

**Author:** Leader of the Council

### **Wards Affected**

Borough wide.

### **Purpose**

This report summarises the General Fund Revenue Budget for the Council in 2014/15. The report also includes information about the external support to the Council and sets out the basis from which decisions can be made regarding the council tax level for 2014/15.

### **Background**

- 1.1 At the time of preparing this report, formal notices of precept requirements from major preceptors have not been received, however the Nottinghamshire Police and Crime Commissioner has agreed a 1.96% rise and formal notification is awaited. It is understood that Nottinghamshire County Council is proposing a rise of 1.99% for the forthcoming year, but this has not yet been confirmed. Indications from the Fire Authority are that council tax will rise by 1.95% but again this has not been confirmed. Further details are given below and final information will be available at the meeting. Equivalent amounts in respect of the parishes are also shown below at paragraph 2.5.8.
- 1.2 As reported to Cabinet on 20 February 2014, the final Local Government Finance settlement figures were announced on 5 February 2014. The Council's Settlement Funding Assessment (SFA) for 2014/15 totals £5,804,065 and represents the aggregate of revenue support grant of £3,064,178 and estimated retained business rates of £2,739,887. The SFA includes non-ringfenced specific grants and represents a cash reduction of £923,214 or 13.7% from the comparative figure for 2013/14.
- 1.3 Non ring-fenced specific grants include Council Tax Freeze Grant of £138,280. This was initially set to be received for a period of 4 years to finance the freeze implemented in 2011/12, but will now continue in the baseline funding. Homelessness grant of £76,860 represents a small

reduction of 1.5% compared to 2013/14, and Council Tax Reduction Scheme (CTRS) grant previously specified at £706,325 for 2013/14 has now been incorporated into the base settlement funding assessment.

- 1.4 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 2014/15 has been set at **2%** and any Council which sets an increase of 2% or 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.

## Proposal

### Proposed Portfolio Budget 2014/15

The proposed budgets for 2014/15, as recommended to Cabinet elsewhere on this agenda, are summarised in the table below:

<b>Portfolio:</b>	<b>£</b>
Community Development	1,438,600
Health and Housing	1,116,100
Public Protection and Communication	1,625,900
Environment	4,499,300
Leisure and Development	2,732,100
Finance and Performance	1,567,400
<b>Base Budget 2014/15</b>	<b>12,979,400</b>

The Government has announced that further funds will be available to local authorities that freeze council tax in 2014/15. Councils will receive a grant equal to raising council tax by 1%, adjusted to exclude reductions given to those in receipt of council tax support, and equates to £59,900 for Gedling.

Cabinet has recommended that council tax be frozen for 2014/15.

### 2.2 Consultation with Non-Domestic Ratepayers

In accordance with the Local Government Finance Act 1992, consultation with representatives of non-domestic ratepayers has been undertaken, and although the number of responses is small, those received indicate broad agreement with the Council's proposals.

### 2.3 The General Fund Balance

The General Fund balance at 1 April 2014 is estimated to be £5,302,400.

If a council tax freeze is approved, a contribution to balances of £64,500 will be possible in 2014/15, which 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 2014/15.

- 2.4 The Local Government Act 2003 requires that the Council's Chief Financial Officer (ie. the Corporate Director nominated as CFO), provide advice to the Council on the adequacy of financial reserves, and the robustness of the estimates. These comments can be found below:

*THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE GENERAL FUND BALANCES*

*The annual budget and medium term plan have been based upon a range of assumptions that have been previously detailed to members. This has enabled an estimate of current and future spending to be modelled. The authority has an excellent track record of meeting demands within the approved budget and the robustness of the Council's financial planning has been the subject of positive comment in recent years. The Council has an established process for assessing financial risk factors that are inherent in any business activity, and the financial risk register shows that the Council is now able to manage risk over the medium term. From this risk assessment, it is clear that the achievement of the medium term financial plan is dependent on the delivery of a significant reduction in expenditure compared to previous expenditure plans. This in itself has an inherent risk of delivery, and the Council has made provision for this risk in its proposals.*

*Members should note that even given the Council's excellent track record for budget management, careful budget monitoring and financial planning, all of which will continue, a structural deficit remains in the Medium Term Financial Plan (MTFP). The annual budget for 2014/15 and the early years of the MTFP leave the Council with a higher level of balances than required, and existing management approaches should enable the Council to deliver the reductions required in the medium to long term, however significant changes to the way that services are delivered will be required if the Council is to achieve fully its ambitions.*

*Over the next 36 months, the Council will have to implement significant changes in order to balance the MTFP. These plans, if implemented, will mean that the financial outlook is positive, and the 2014/15 estimates and beyond are robust. Members are advised that the risk levels in the MTFP are now reducing and are now at acceptable levels.*

*An assessment of reserves and balances has been carried out and I am satisfied that the financial position as presented is robust, and that reserves and balances are adequate in the short and medium term. However, pressures on the budget in the medium to long term remain significant, as demonstrated in the Gedling Plan which shows the future reliance on utilising General Fund balances to support expenditure levels, as reported to Cabinet on 20 February 2014.*

*The Council has in the past successfully managed such pressure, and therefore I consider that, given the information available at the time, the level of general reserves are adequate for the purpose of setting the 2014/15 Council Tax.*

## 2.5 Council Tax 2014/15

### 2.5.1 Tax Base

The Council tax-base was determined by the Finance Portfolio-holder as 34,912.38 on 21 January 2014 (D139). The tax-base for each parish is given below at paragraph 2.5.8.

### 2.5.2 Central Government Finance Settlement

Final grant settlement figures are summarised below:

	£
Revenue Support Grant (RSG)	3,064,178
Business Rates	2,739,887
<b>Settlement Funding Assessment including non-ringfenced grants (SFA)</b>	<b>5,804,065</b>

This level of support is not dependent on a particular level of expenditure.

### 2.5.3 The Collection Fund

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

The estimated Council Tax surplus of £554,000 declared at 15 January 2014 will be shared by the authorities precepting on the Council Tax Collection Fund as follows:

<b>Preceptor:</b>	£
Nottinghamshire County Council	415,609
Nottinghamshire Police & Crime Commissioner	57,966
Combined Fire Authority	24,274

Gedling Borough Council	56,151
<b>Total declared (surplus)</b>	<b>554,000</b>

An estimated NNDR deficit of £657,404 in respect of 2013/14 was declared on 31 January 2014. This will be split as follows:

<b>Proportionate Share:</b>	<b>£</b>
Central Government 50%	328,702
Gedling Borough Council 40%	262,962
Nottinghamshire County Council 9%	59,166
Combined Fire Authority 1%	6,574
<b>Total declared (deficit)</b>	<b>657,404</b>

#### 2.5.4 Gedling Borough Council – Council Tax 2014/15

Cabinet have recommended a net budget of £12,979,400 and a Council Tax freeze for 2014/15. The summary of the proposed budget and the amount to be raised by Council Tax of £5,344,038 is detailed in the table below, together with the estimated position on the General Fund Balances:

	<b>£</b>
<b>Total Portfolio Budget:</b>	<b>12,979,400</b>
Less:	
Settlement Funding Assessment (SFA)	(5,804,065)
Council Tax Collection Fund (surplus)/deficit	(56,151)
Net estimated retained NDR growth & NDR Collection Fund (surplus)/deficit	(216,000)
New Homes Bonus	(1,563,784)
Council Tax Freeze Grant 2014/15	(59,900)
Contribution to balances in the year	64,538
<b>COUNCIL TAX REQUIREMENT</b>	<b>5,344,038</b>
Estimated General Fund Balance at 1 April 2014	5,302,422
Transferred to balances during 2014/15 to support future General Fund expenditure	64,538
<b>ESTIMATED GENERAL FUND BALANCE AT 1 APRIL 2015</b>	<b>5,366,960</b>
Minimum required General Fund balance at 1 April 2015	973,500

Gedling Borough Council's Council Tax is calculated by dividing the amount to be raised through the Council Tax by the tax base. This produces an amount per Band D property.

#### 2.5.5 Nottinghamshire Police and Crime Commissioner

The Nottinghamshire Police and Crime Commissioner has set a precept for 2014/15 and this was approved by the Police and Crime Panel on 3 February 2014. A rise of 1.96% was agreed, resulting in a Band D charge of £172.98, however at the time of preparing this report, formal notification has not been received.

#### 2.5.6 Combined Fire Authority

The Combined Fire Authority will meet on Friday 28 February 2014. 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 27 February 2014. Initial indications are that its council tax will rise by 1.99% 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 2014/15 by 1 March 2014. Those that have already been received are detailed below, together with the provisional notifications received from the remainder. Anticipated parish precepts total £519,060, an increase of 10% on those declared for 2013/14.

Due to the nature of its calculation, 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. This reduces the ability to raise additional revenue from council tax increases. The Settlement Funding Assessment includes the non-ringfenced CTRS grant, which in turn includes an amount to fund the impact of tax-base reductions on local parish precepts. The impact of the CTRS on the tax-base of Gedling Borough Council's parishes is estimated to be £28,400, and as in 2013/14 this sum has been included for grant assistance to parishes in the General Fund budget proposal. The grant must continue to be reviewed annually as the 2014/15 Settlement indicates that CTRS funding is not protected from future funding reductions.

Parish:	Precept 2014/15	Tax Base 2014/15	Band D 2014/15	Band D 2013/14	+/- £	+/- %
Bestwood	26,501	1,493.04	17.75	18.27	-0.52	-2.8
Burton Joyce	107,745	1,422.11	75.76	63.95	+11.81	+18.5

Calverton	153,650	2,009.33	76.47	64.42	+12.05	+18.7
Colwick	31,000	835.07	37.12	37.21	-0.09	-0.2
Lambley	14,800	480.48	30.80	31.15	-0.35	-1.1
Linby	6,861	108.09	63.47	54.31	+9.16	+16.9
Newstead	13,615	345.14	39.45	37.57	+1.88	+5.0
Papplewick	9,225	275.98	33.43	32.86	+0.57	+1.7
Ravenshead	117,369	2,650.77	44.28	44.28	Nil	Nil
Stoke Bardolph	549	52.26	10.51	10.26	+0.25	+2.4
Woodborough	37,745	897.34	42.06	41.31	+0.75	+1.8

In percentage terms, individual increases in parish precepts and Band D charges may appear considerable, however members should note that due to the size of the figures involved, relatively modest monetary increases may result in significant percentage changes. There is no referendum limit set for parish councils for 2014/15.

### **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 2014/15.

### **Financial Implications**

All financial implications are discussed within the report.

### **Appendices**

None

### **Background Papers**

Finance and Efficiency Strategy  
Central Government Report – Local Government Finance in England 2014/15  
Treasury Strategy 2014/15  
Capital Programme Report 2014/15  
Gedling Plan Report 2014/15  
Precept notifications 2014/15

### **Recommendation**

That:

- (1) Members determine the application of fund balances, or contributions to balances.

Members recommend the calculations for 2014/15 required by sections 32-36 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 2014/15 and comply with the requirements of the Local Government Finance Act.

**For more information, please contact:**

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