

## **Report to Council**

**Subject:** Council Tax 2023/24

**Date:** 2 March 2023

**Author:** Leader of the Council

### **Wards Affected**

Borough wide.

### **Purpose**

This report summarises the Council's General Fund Revenue Budget for 2023/24. 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 2023/24.

### **Key Decision**

This **is** a key decision.

### **Recommendations:**

That:

- (1) Members determine the application of fund balances, or the level of contributions to balances.
- (2) Members approve the calculations for 2023/24 required by sections 31 to 36 of the Local Government Finance Act 1992 and the amounts set as Council Tax for each category of dwelling. (The detailed calculations will be published separately, but before the meeting, once all final notifications from preceptors have been received.)

## 1. Background

### The Council Tax Process

- 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 the Combined Fire & Rescue Authority. Further details are provided below at paragraph 2.5.7 below, and final information will be given at the meeting.

Amounts in respect of parish precepts are also shown below at paragraph 2.5.8.

### Settlement

- 1.6 As reported to Cabinet on 16 February 2023, the final Local Government settlement figures were announced on 6 February 2023, and related only to 2023/24.
- 1.7 The Government attempted to provide some clarity for 2024/25 by confirming that the core settlement (Revenue Support Grant and Business Rates Baseline Funding) will continue in a similar manner for 2024/25 (ie. there will be no implementation of the Fair Funding Review or reset of the Business Rates System) and that no further changes will be made to Council Tax referendum principles. However, the one-year settlement for 2023/24 means that councils still have no clarity or certainty of how services will be funded beyond March 2024, which presents significant challenges and inhibits meaningful financial planning and the development of a sustainable medium term financial plan. This is further exacerbated by the impact of the economic downturn, rising demand for council services, and inflationary pressures beyond existing expectations.
- 1.8 The Council's Settlement Funding Assessment (SFA) for 2023/24 totals £3,309,100 represented by retained business rates of £3,191,600 and Revenue Support Grant (RSG) of £117,500. The SFA represents a cash increase of £232,200 on the comparative figure for 2022/23, however the increase in RSG includes primarily the consolidation of funding previously received outside the Settlement process – ie. not additional funding.
- 1.9 The cumulative settlement reduction over the 2016/17 to 2023/24 spending review periods equates to 33%, or £1.63m in cash terms, when compared to the 2015/16 base position. Excluding the grants now consolidated into RSG, the cumulative settlement reduction equates to 35% or £1.75m over the same period. The total reduction in settlement when compared to the amount received in 2010/11 will be 64%, or £5.65m, by 2023/24. Settlement now accounts for only 23% of Gedling's net budget, compared to 60% in 2010/11.

### New Homes Bonus

- 1.10 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.

- 1.11 During 2016/17, the Government made changes to NHB with the aim of delivering savings to fund pressures in social care. Changes included a reduction in the length of time for which NHB is paid, from six years to four years. A baseline growth threshold of 0.4% was also introduced, recognising that some housing would be built regardless of NHB. Councils now need to achieve growth **greater** than 0.4% in a year before **any** NHB is receivable for that year. For Gedling this equates to 182 Band D properties. The Government has confirmed that NHB will continue for 2023/24 on the same basis as 2022/23, with no change to the way it is calculated, and again paid for **one** year only.
- 1.12 Between October 2021 and October 2022 housing growth in Gedling was 390 band D equivalent homes, equivalent to 0.85% growth. This growth is above the national baseline of 0.4% and NHB has been confirmed at £332,930 for 2022/23 (to be paid for one year only) including an affordable homes premium of £10,150 based on growth of 29 units in the period. No legacy payments are due in respect of previous years, and the impact of this on the 2023/24 budget is an overall decrease in NHB grant of £188,000 when compared to 2022/23. NHB has reduced by £2.067m when compared to 2016/17.
- 1.13 There remains much uncertainty around the future of the NHB scheme. The Government has indicated that it will set out the future of the NHB ahead of the 2024/25 local government finance settlement, considering the results of the consultation which was completed in April 2021. However, given that the Fair Funding Review will not be completed in this timescale, for medium term financial planning purposes, a similar award to 2023/24 is assumed for 2024/25 and zero NHB awards are assumed thereafter.

#### Services Grant

- 1.14 The Government introduced a new, un-ringfenced, Services Grant as part of the 2022/23 settlement, initially for one year only, to provide funding to all tiers of local government in recognition of the services they provide, and to manage inflationary pressures for example the increase in National Insurance contributions for the health and Social Care Levy. This grant is continuing in 2023/24 but will be reduced because there will no longer be an increase in National Insurance contributions. Gedling's allocation is £124,425.

#### Fair Funding Guarantee Grant

- 1.15 In recognition of inflationary pressures the Government has repurposed the previous Lower Tier Services Grant to create a new one-off funding guarantee. This is intended to ensure that all councils see at least a 3% increase in their Core Spending Power before any decision about efficiencies, use of reserves, and council tax levels. Gedling's Funding Guarantee grant allocation for 2023/24 is £349,912, however this is partly offset by the loss of the Lower Tier Services grant which was £140,739 in 2022/23. The net increase in funding is

therefore only £209,173 and falls substantially below the actual inflationary pressures faced.

### Core Spending Power

- 1.16 Overall Core Spending Power (CSP) for local authorities in England has increased by 9.2% in 2023/24 whilst Gedling's rose by only 4.8%, meaning that Gedling's increase of just 4.8% falls short by 4.4%. The Government forecasts that the Council's cumulative reduction in overall CSP, which includes SFA, S31 Grants, NHB, Services Grant, Funding Guarantee/Lower Tier Services Grant, and council tax receipts (assumed at the maximum possible increases, but is in reality a local decision), to be 8% by 2023/24 when compared to 2015/16.
- 1.17 This gives Gedling the fifth largest reduction out of 333 councils in England. In 2022/23 Gedling was the seventh worst affected and in the previous two years, 2020/21 and 2021/22, Gedling was the worst affected council in England.
- 1.18 Only 10 (3%) councils have seen a reduction in CSP exceeding 5% when compared to 2015/16 whilst 287 (86%) have seen an increase. The largest increase for a comparable district council is 33%.

### Referendum Limit

- 1.19 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's set limit this will trigger a referendum so that local voters can either support or reject the proposed rise. The referendum limit for 2023/24 for all shire districts has been set at a 3% increase (or more than 3%) and more than a £5 increase on the amount for 2022/23. Any council which sets an increase greater than the referendum limit, 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.
- 1.20 For Gedling in 2023/24, the absolute maximum increase must be below 3% and a £5 cash limit equates to an increase of 2.81%.

### Local Government Financing from 2024/25

- 1.21 The Government acknowledged as part of the 2023/24 Settlement that its ambition for "Levelling Up" requires them to assess in the longer term its commitment to update local government funding. It confirmed the previous commitment to carry out a Review of Relative Needs and Resources, ie. the Fair Funding Review initially intended for implementation in April 2020, and a reset of accumulated business rates growth.

- 1.22 It has now been confirmed that this update of local government funding will not be implemented within the current Spending Review period, but a further commitment has been made to making improvements within the next Parliament. The inequity of the current funding regime between local authority areas as demonstrated in the Core Spending Power statistics is not therefore expected to be resolved until 2025/26 at the earliest.

#### Fair Funding Review

- 1.23 Funding baselines for local authorities are based on an assessment of relative needs and resources. For RSG this consists of numerous economic and social indicators, and for business rates a range of top-ups and tariffs. The methodology was introduced over ten years ago and has not been updated since the introduction of the 50% business rates retention system in 2013/14. Since that time, demographic pressures have affected local areas in different ways. The outcome of the review will enable the government to reconsider how relative needs and resources of local authorities should be assessed, given that they will continue to have greater control over the money that they raise.
- 1.24 The government recognises that introducing such a new needs and resources formula could result in significant changes to the funding baselines of some local authorities and it is therefore intended to introduce transitional arrangements that are fair, transparent and easily understood. The latest consultation proposed that the starting baseline for the purposes of transition will be a measure of the current funding available to each local authority, ie the core spending power measure excluding one-off grants. This should mean that no authority sees its funding reduce as a result of the new system in the first instance. It is proposed that the transition be time limited, establishing a fixed period to enable the target allocations to be reached as soon as practicable.
- 1.25 Whilst such a transition period is usual, there is a risk that CSP reductions suffered by Gedling since 2015/16 will be locked in and therefore Gedling will take an active part in any further Fair Funding Review consultation processes to ensure that its position is understood and its views are represented.

#### Future of Business Rates Retention

- 1.26 The business rates retention scheme will be retained at 50% for 2023/24, and there will be no reset of the business rates baseline for 2024/25, which provides a degree of funding certainty for the next two years. If the reset is implemented in 2025/26 it is expected that some existing business rates growth could be removed – reducing income levels.

## 2. Proposal

### 2.1 Proposed Portfolio Budget 2023/24

The proposed budgets for 2023/24, as recommended by Cabinet on 16 February 2023, are summarised in the following table:

<b>Portfolio:</b>	<b>£</b>
Local Pride and Community Engagement	927,500
Lifestyles, Health and Wellbeing	2,133,600
Environment	6,400,200
Sustainable Growth and Energy	1,561,500
Corporate Resources and Performance	3,342,700
<b>Net Portfolio Budget 2023/24</b>	<b>14,365,500</b>
Transfer to/(from) Earmarked Reserves	(165,600)
<b>Net Council Budget 2023/24</b>	<b>14,199,900</b>

### 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 had been received at the time of writing but any received subsequently will be reported at the meeting.

### 2.3 The General Fund Balance

The General Fund balance at 1 April 2023 is estimated to be in the region of £1,000,000, a significant reduction from the actual balance of £4,601,000 at 1 April 2022. However, £1,982,000 of additional S31 grant was received in 2021/22 in respect of expanded retail reliefs, and this was carried forward in the General Fund to finance the related 2021/22 declared deficit, charged to the General Fund in 2022/23 as a result of the accounting arrangements specific to the Collection Fund. In addition, the original estimate for S31 grant for expanded reliefs in 2022/23 was £1,344,700 higher than the projected outturn, with collectible business rates correspondingly lower. Again, due to the Collection Fund accounting arrangements whereby business rates income is fixed on the original estimate, this results in a significant declared surplus for 2022/23 – which will not be received by the General Fund until 2023/24, when it will be used to offset the repayment of the excess S31 grant during the same year.

If a Council Tax increase of £5.31 (2.98%) is approved, a further contribution

from balances of £978,700 will be required in 2023/24. 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 2023/24.

## 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 Financial 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 2023/24 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan were reported to Cabinet on 16 February 2023, and are for information are also detailed in paragraphs 2.4.2 to 2.4.8 below.

### 2.4.2 **Financial Settlement/Funding Streams**

After a delay of two years, firstly due to Brexit and then to the Covid-19 pandemic (resulting in one year spending rounds for 2019 and 2020 and consequently one year local government finance settlements), the much awaited 3-year 2021 Comprehensive Spending Review (CSR21) was announced in October 2021. However, the 3 year Spending Review did not result in the 3 year local government finance settlement which had been requested by the sector, with a further one year settlement being made for 2022/23.

In the Autumn Statement 2022 the Chancellor maintained the Government commitment to the departmental expenditure limits set out in the CSR21, however once again this has not translated into a multi-year settlement for local government, with another one year settlement being made for 2023/24. The Government has now confirmed that the long awaited local government finance reforms ie. Fair Funding Review and Business Rates Retention reset which were initially due for implementation in 2020 will not now be implemented until 2025/26 at the earliest.

This means that council still have no clarity or certainty of how services will be funded beyond next year which presents incredible challenges, inhibiting

meaningful financial planning and the development of a sustainable medium term plan. This is further exacerbated by the uncertainties resulting from the economic downturn in terms of ongoing demand and inflationary pressures and how they will be financed.

The 2021 Comprehensive Spending Review outlined the Government's spending plans for three next three years by setting budgets for each central government department. This included an average increase in Core Spending Power for local government of 3% in real terms over the three year Spending Review period. However, a substantial part of the additional £4.8billion of new grant funding to this department is primarily to meet social care pressures, which is an upper tier function, presenting a risk that district and borough councils will not receive the full 3% increase in real terms across the three year period.

**Business Rates Retention / Fair Funding Review:** The extension of the business rates retention scheme reset and implementation of the Fair Funding Review was originally planned for 2020/21 but this has now been delayed for five years, with the earliest implementation expected to coincide with the next Comprehensive Spending Review period and the 2025/26 local government finance settlement. In the absence of a review of the local government funding, pilots for the 100% business rates retention are continuing in 2023/24, but last year the Secretary of State for Levelling Up, Housing and Communities announced that the Government would abandon moves towards 75% Business Rates Retention as it considered that it conflicted with its levelling up agenda. Instead the Government plans to progress the Fair Funding Review and examine the mechanism for redistributing funding to the local authorities most in need.

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, which will be determined by the 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. The original intention of the business rates retention scheme was for it to be fiscally neutral and in order to achieve this, additional responsibilities would need to be transferred to local government in a move to 100% retention. In this scenario care will be needed to ensure that any new transferred responsibilities are capable of being fully funded in both the short and the long term, although the risk of this materialising is now reduced if the retention level stays at the current 50%.

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 when a large business relocates or closes. These changes may require local authorities to hold higher levels of

reserves in the future depending on the outcome of the review of the local government finance system.

**New Homes Bonus:** paragraphs 1.10 to 1.13 above identify the significant impact that changes to this funding stream has for Gedling Borough Council due to the introduction of a 0.4% growth baseline resulting in a significantly reduced awards since 2016/17.

In line with the one-year only local government finance settlement, the NHB award has continued on a one-year only basis for 2023/24. Previously the government has stated that it is no longer clear that the NHB in its current form is focussed on incentivising homes where they are needed most. A consultation on the future of the NHB was held in the spring of 2021 but there is as yet no firm indication as to how the government will wish to proceed with amendments to the scheme. The Government has stated that it now intends to set out the future of the NHB ahead of the 2024/25 local government finance settlement, which may result in further changes or reductions in advance of the Fair Funding Review, which will not be completed in this timescale.

Whilst there may still be an opportunity to receive NHB in the future, it is considered that there is a significant downside risk to this arising and it is not prudent to rely on this funding stream to support the revenue budget. This risk came to fruition for 2021/22 as Gedling received a zero award because growth was below the threshold, before receiving a positive allocation of £427,670 for 2022/23, reducing to £332,930 in 2023/24. The MTFP assumes that NHB will continue at the same level for 2024/25 but thereafter will be zero. In the event that the Council does receive some NHB in the longer term, this will be used to support projects or be transferred to balances to support future budget setting but, in all probability, this will be matched by a corresponding reduction in other government grants.

**Council Tax:** The Government's Core Spending Power figures are based on the assumption that Council Tax will be increased by the maximum amount in accordance with the referendum principles and that growth in the tax base will be created through additional hereditaments. This rise is equivalent to the maximum possible without requiring a referendum and leaves no 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 2.98% increase will be applied between 2023/24 and 2027/28 but the actual increase will be determined on an annual basis by Council. In the absence of additional ongoing funding in the local government finance settlement, any Council Tax increase below the 2.98% will require an increase in the efficiency/budget reduction targets to ensure that a balanced MTFP is secured.

**Economic Growth & Inflation:** Both Brexit and Covid-19, and more recently the war in Ukraine, have had a major adverse impact on the economy, and ongoing uncertainty continues to create major challenges for economic forecasting. Overall the balance of risk to economic growth in the UK is now to the downside, with significant risks related to labour supply shortages proving more enduring and therefore depressing economic activity; inflationary pressures not being effectively controlled by monetary policy interventions; UK/EU trade agreements being effective. Without a multi-year settlement, or an understanding of what the Fair Funding Review or business rates retention reset will bring, the demand and inflationary pressures arising from the economic downturn need to be managed within local resources – i.e. from further budget reductions or efficiencies.

Inflation assumptions have been incorporated into the MTFP, including a pay award of 5% for 2022/23, 3% for 2023/24, and 2% per annum from 2024/25 to 2026/27. However, whilst the April 2023 pay award for local government staff will not be known for some time the request from the employee representatives is an increase equivalent to RPI + 2%, which at current prevailing rates is 15%. This level of pay claim presents a significant downside risk to the current MTFP projections, as do potential market adjustments that may be required to address skill shortages in key areas. However, given the uncertainties present in the economy, there is a minor upside financial risk that future awards could be lower than 2% if a period of public sector austerity ensues and is reflected in local government finance reforms and settlement.

A significant increase in contract prices for utilities is included in the 2023/24 budget. This aspect of the budget is likely to continue to be volatile and there is a downside risk that the full year effect of expected price increases will be higher than those currently projected. However, there is also an upside risk that energy prices will drop back and utility contract prices and budgets will fall back to some degree in the medium term.

- 2.4.3 A minimum balance of £1m on the General Fund, or 7.5% of net operating expenditure whichever is the greater, 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. Given the substantial inflationary pressures being experienced and the scale of the future budget reductions likely to be required, in the absence of funding increases, the level of minimum balances will be kept under review and may need to increase to reflect the increasing level of risk in the MTFP.
- 2.4.4 The surplus or deficit on balances in the MTFP shows amounts (above) or below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £160,100 in 2023/24, declining to

£6,300 by the end of 2027/28. Achievement of this position is reliant upon efficiency plans being progressed and delivered during the period of the MTFP or additional funding being made available via the local government finance reforms. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure, which needs to be managed beyond the five-year horizon, but this is significantly reduced to manageable levels with the inclusion of the efficiency/savings programmes. However, this still does not leave significant capacity to manage future budget and inflation pressures that may arise, which will have to be managed by further budget reductions.

The Council has a substantial programme of budget reductions planned for delivery. Whilst risk provisions and transformation funds (which mitigate the risk of non-delivery) have previously been approved, and in the main the delivery of the programme has gone well, more recently difficulties have been experienced, particularly with regard to projects that require more innovative and transformational approaches with inherent uncertainties, which presents an increasing downside risk to successful delivery. Programmes are regularly monitored and progress reported to Cabinet to manage this risk, and new efficiency proposals are recommended to ensure this downside risk is effectively managed.

The challenges that lie ahead are increasing compared to those in previous years, due to inflationary pressures, but whilst recognising the significant challenges ahead, this plan is considered robust. Gedling is not alone in facing this challenge as it is a national problem, but with the Council's long track record in delivering successful efficiency programmes it is well placed 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. Increased public building maintenance budgets have been included in the capital budget proposals to mitigate this risk;

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

- 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 families' initiatives, homelessness and those with specialist housing need.

2.4.7 There is an increased risk arising from these assumptions and the level of minimum balances will be kept under review. As the Council is responding to the challenges through efficiency measures and service reductions it is considered that the annual and medium term budgets are robust, but given the above risk assessment the achievement of the estimated Medium Term Financial Plan will be a significant challenge to deliver.

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 now significant, and it should be expected that there may need to be some contraction of service delivery/performance if existing efficiency plans do not proceed in line with expectations, or there are further funding reductions following the implementation of the Fair Funding Review.

## 2.5 **Council Tax 2023/24**

### 2.5.1 Tax Base

The Council's overall tax-base was determined by the Portfolio-holder for Corporate Resources and Performance on 2 December 2022 as 38,503.71. 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 (including consolidated grants)	117,500
Business Rates - Baseline Funding Level	3,191,600
<b>Settlement Funding Assessment (SFA) excl NHB</b>	<b>3,309,100</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 Non Domestic Rates (NDR).

A Council Tax **surplus** of £987,659 was declared on 15 January 2023 for the estimated position at 31 March 2023, and this included a deficit of £207,152 representing the final 1/3 of the “spreading adjustment” in respect of the estimated “exceptional” 2020/21 in-year deficit of £621,457. This was largely due to the impact of Covid-19 and ensured that the full impact of the exceptional deficit did not fall in full on the 2021/22 accounts, as would normally have been the case. The spreading adjustment was required by regulations that came into force on 1 December 2020.

<b>Proportionate Share – Council Tax:</b>	£
Gedling Borough Council	(89,762)
Nottinghamshire County Council	(743,996)
Nottinghamshire Police & Crime Commissioner	(115,875)
Combined Fire & Rescue Authority	(38,026)
<b>Total declared SURPLUS 15 January 2023</b>	<b>(987,659)</b>

An NDR **surplus** of £3,438,501 was declared on 31 January 2023 for the estimated position at 31 March 2023, of which Gedling’s share is £1,375,400 and will be received by the General Fund in 2023/24.

It should be noted that the original 2022/23 estimate for S31 grant associated with expanded retail and hospitality reliefs was £1,344,700 higher than the projected outturn (on which the declared surplus is based), with the original estimate for collectible rates correspondingly lower. As regulations require payments to other preceptors and S31 receipts from central government to be fixed on the original estimates, and due to timing differences arising from the specific accounting arrangements for transfers between the Collection Fund and the General Fund, whilst the overall impact of this movement is neutral over the two years 2022/23 and 2023/24, £1,344,700 of the surplus declared at 31 January 2023 and credited to the General Fund in 2023/24 will in reality be required to fund the repayment in early 2024 of excess S31 grant received from central government in 2022/23 - due to it being based on the original estimate.

As with Council Tax above, the declared NDR surplus includes the final 1/3 of the “spreading adjustment” which ensured that the full impact of the exceptional deficit in 2020/21 did not fall on a single year’s accounts. This amounts to £700,323.

<b>Proportionate Share - NDR:</b>	£
Central Government 50%	(1,719,251)
Gedling Borough Council 40%	(1,375,400)
Nottinghamshire County Council 9%	(309,465)
Combined Fire & Rescue Authority 1%	(34,385)
<b>Total declared SURPLUS 31 January 2023</b>	<b>(3,438,501)</b>

The impact of collection fund deficits are included in the Medium Term Financial Plan.

#### 2.5.4 Gedling Borough Council – Council Tax 2023/24

Cabinet have recommended a net budget of £14,199,900 and a Council Tax increase of £5.31 (2.98%) for 2023/24. The summary of the proposed budget and the amount to be raised by Council Tax of £7,060,700 is detailed in the table below, together with the estimated position on the General Fund Balances:

<b>Budget 2023/24:</b>	£
<b>Total Portfolio Budget:</b>	<b>14,199,900</b>
Less:	
Settlement Funding Assessment (SFA)	(3,309,100)
Funding Guarantee Grant	(349,900)
Services Grant	(124,400)
New Homes Bonus – current year only	(332,900)
Business Rate Levy	(25,800)
Council Tax collection fund surplus	(89,700)
NDR growth, renewables, & NDR collection fund surplus	(1,928,700)
NDR surplus related to excess 2022/23 reliefs	(1,344,700)
NDR amount to Balances re. overpaid 2022/23 S31 grant	1,344,700
Contribution from balances in the year	(978,700)
<b>COUNCIL TAX REQUIREMENT 2023/24</b>	<b>7,060,700</b>
<b>ESTIMATED GENERAL FUND BALANCE AT 1 APRIL 2024</b>	<b>1,224,800</b>
Minimum required General Fund balance at 1 April 2024	1,064,700

Gedling Borough Council's proposed Council Tax of £183.38 is calculated by dividing the amount to be raised through the Council Tax (£7,060,700) by the tax base (38,503.71). This produces an amount per Band D property.

#### 2.5.5 Nottinghamshire County Council

Formal notification of precept has been received from Nottinghamshire County Council, following the meeting of the Council on Thursday 9 February 2023. The Council Tax will rise by £79.57 (4.84%, including an additional 2% permitted for adult social care), which produces an amount per Band D property of £1,723.66.

## 2.5.6 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 2023. The Council Tax will rise by £14.94 (5.88%), which produces an amount per Band D property of £269.19.

## 2.5.7 Combined Fire & Rescue Authority

The Combined Fire Authority will meet on Friday 24 February 2023. Current indications are that its Council Tax will rise by £5 (5.91%) which produces an amount per Band D property of £89.57, however 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 2023/24 by 1 March 2023. Formal notification has been received from most of the parishes and provisional (\*) information has been provided by the remainder, and their requirements are detailed in the table below. Parish precepts total £852,786 an increase of 8.63% on those declared for 2022/23.

Parish:	Tax Base 2023/24	Precept 2023/24 £	Band D 2023/24 £	Band D 2022/23 £	Band D +/- £	Band D +/- %
Bestwood Village	686.09	20,000	29.15	37.22	-8.07	-21.68
Burton Joyce	1,517.02	218,519	144.04	132.01	+12.03	+9.11
Calverton	2,359.56	244,339	103.55	99.57	+3.98	+4.00
Colwick *	888.29	25,500	28.71	26.12	+2.59	+9.92
Lambley	508.09	17,860	35.15	34.00	+1.15	+3.38
Linby	362.81	18,840	51.93	43.87	+8.06	+18.37
Newstead	372.74	21,820	58.54	47.02	+11.52	+24.50
Papplewick	271.15	20,359	75.08	73.44	+1.64	+2.23
Ravenshead	2,776.18	155,680	56.08	53.10	+2.98	+5.61
St Albans	943.91	28,834	30.55	30.28	+0.27	+0.89
Stoke Bardolph	373.83	2,500	6.69	3.81	+2.88	+75.59
Woodborough	942.46	78,535	83.33	79.41	+3.92	+4.94
Unparished	26,501.58	n/a				
<b>Total</b>	<b>38,503.71</b>	<b>852,786</b>				

Percentage movements for parish councils may on occasion appear excessive; however, Members should note that where precepts are small, modest monetary increases can result in significant percentage changes. There is no referendum limit set for parish councils for 2023/24 by central government.

### **3. 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 2023/24.

### **4. Financial Implications**

All financial implications are discussed within the report.

### **5. Legal Implications**

Under the Local Government Finance Act 1992 (as amended by the Localism Act 2011), local authorities must set a council tax that takes into account its budget requirement, and any authority proposing an excessive increase in council tax must hold a local referendum and obtain a "yes" vote before implementing the increase. An authority proposing an excessive increase must also make substitute calculations, based on a non-excessive council tax level. This takes effect if the excessive increase is rejected in the referendum. Accordingly, authorities must raise their charge by less than the threshold to avoid a referendum.

Council tax setting legally requires a recorded vote.

### **6. Equalities Implications**

There are no equalities implications arising from this report.

### **7. Carbon Reduction / Environmental Sustainability Implications**

There are no carbon reduction / environmental sustainability implications arising from this report.

### **8. Appendices**

None

## 9. Background Papers

- DLUHC Settlement report - Local Government Finance in England 2023/24;
- Prudential Indicators and Treasury Management Strategy Statement (TMSS) 2023/24;
- Capital Programme and Capital Investment Strategy 2023/24 to 2027/28;
- General Fund Revenue Budget 2023/24;
- Gedling Plan 2023–27;
- Precept notifications 2023/24.

## 10. Reasons for Recommendations

To set the Council Tax for 2023/24 and comply with the requirements of the Local Government Finance Act 1992.

### **Statutory Officer approval:**

Approved by: Chief Financial Officer

Date: 20 February 2023

Approved by: Monitoring Officer

Date: 20 February 2023