

Report to Council

Subject: Council Tax 2015/16
Date: 3 March 2015
Author: Leader of the Council

Wards Affected

Borough wide.

Purpose

This report summarises the General Fund Revenue Budget for the Council in 2015/16. 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 2015/16.

Key Decision

This is a key decision.

Background

- 1.1 At the time of preparing this report, formal notices of precept requirements from major preceptors for 2015/16 have not been received, however the Nottinghamshire Police and Crime Commissioner has agreed a rise of 1.98%, and it is understood that Nottinghamshire County Council is proposing a rise of 1.99%. No clear indication has yet been received from the Fire Authority. 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 19 February 2015, the final Local Government Finance settlement figures were announced on 3 February 2015. The Council's Settlement Funding Assessment (SFA) for 2015/16 totals £4,938,471 and represents the aggregate of revenue support grant of £2,146,229 and estimated retained business rates of £2,792,242. The SFA includes non-ringfenced specific grants and represents a cash reduction of £926,215 or 15.8% from the comparative figure for 2014/15.

- 1.3 Non ring-fenced specific grants include Council Tax Freeze compensation grant of £137,753 for the 2011/12 freeze and £60,621 for the 2014/15 freeze, which now continue in baseline funding. Homelessness grant of £76,564 represents a small reduction of 0.4% compared to 2014/15, and Council Tax Reduction Scheme (CTRS) grant 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 2015/16 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 2015/16

The proposed budgets for 2015/16, as recommended to Cabinet elsewhere on this agenda, are summarised in the table below:

Portfolio:	£
Community Development	1,468,900
Health and Housing	1,113,400
Public Protection and Communication	1,643,100
Environment	4,473,600
Leisure and Development	2,089,700
Finance and Performance	2,089,100
Base Budget 2015/16	12,877,800

The Government has announced that further funds will be available to local authorities that freeze council tax in 2015/16. 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 approximately £60,600 for Gedling.

Cabinet has recommended that council tax be frozen for 2015/16.

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. No

responses had been received by the end of the consultation period.

2.3 The General Fund Balance

The General Fund balance at 1 April 2015 is estimated to be £6,018,200.

If a council tax freeze is approved, a contribution from balances of £781,800 will be required in 2015/16. 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 2015/16.

- 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 Council has a good reputation for the robustness of its financial planning. 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 it 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 continued delivery of a significant reduction in expenditure compared to previous expenditure plans. This three-year programme, agreed in 2014/15, 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 within the Medium Term Financial Plan (MTFP). The annual budget for 2015/16 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 further changes to the way that services are delivered will be required if the Council is to fully achieve its ambitions.

Over the next 24 months, the Council will continue to implement significant changes in order to balance the MTFP. These plans, if implemented, will mean that the financial outlook is positive, and the 2015/16 estimates and

beyond are robust. Members are advised that the risk levels in the MTFP are stabilising, 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 both the capital and revenue budgets 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 19 February 2015.

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 2015/16 Council Tax.

2.5 Council Tax 2015/16

2.5.1 Tax Base

The Council tax-base was determined by the Finance & Performance Portfolio-holder as 35,610.06 on 19 December 2014 (D277). 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:

	£
Revenue Support Grant (RSG)	2,146,229
Business Rates (estimated)	2,792,242
Settlement Funding Assessment including non-ringfenced grants (SFA)	4,938,471

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 following the introduction of the Business Rates Retention regime on 1 April 2013, also for NNDR.

The estimated Council Tax surplus of £784,000 declared at 15 January 2015 will be shared by the authorities precepting on the Council Tax Collection Fund as follows:

Preceptor:	£
Nottinghamshire County Council	585,711
Nottinghamshire Police & Crime Commissioner	83,253
Combined Fire Authority	34,206
Gedling Borough Council	80,830
Total declared (surplus)	784,000

An estimated NNDR deficit of £2,139,027 was declared on 31 January 2015. This will be split as follows:

Proportionate Share:	£
Central Government 50%	1,069,514
Gedling Borough Council 40%	855,611
Nottinghamshire County Council 9%	192,512
Combined Fire Authority 1%	21,390
Total declared (deficit)	2,139,027

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

2.5.4 Gedling Borough Council – Council Tax 2015/16

Cabinet have recommended a net budget of £12,877,800 and a Council Tax freeze for 2015/16. The summary of the proposed budget and the amount to be raised by Council Tax of £5,450,823 is detailed in the table below, together with the estimated position on the General Fund Balances:

	£
Total Portfolio Budget:	12,877,800
Less:	
Settlement Funding Assessment (SFA)	(4,938,471)
Council Tax (surplus)/deficit declared 15 Jan 15 – as above	(80,830)
NNDR (surplus)/deficit declared 31 Jan 15 – as above	855,611
NNDR growth above the baseline – Retained by GBC	(389,333)
New Homes Bonus	(2,031,528)
Council Tax Freeze Grant 2015/16	(60,600)
Contribution from balances in the year	(781,826)
COUNCIL TAX REQUIREMENT	5,450,823
Estimated General Fund Balance at 1 April 2015	6,018,167
Transferred to Earmarked Reserve for Leisure Strategy	(1,000,000)
Transferred from balances during 2015/16 to support General Fund expenditure	(781,826)
ESTIMATED GENERAL FUND BALANCE AT 1 APRIL 2016	4,236,341
Minimum required General Fund balance at 1 April 2016	965,800

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

Whilst formal notification has not yet been received, the Nottinghamshire Police and Crime Commissioner agreed a precept with the Police and Crime Panel on 2 February 2015, and its council tax will rise by 1.98%. This produces an amount per Band D property of £176.40.

2.5.6 Combined Fire Authority

The Combined Fire Authority will meet on Friday 27 February 2015. Current indications are that its council tax may rise by 1.95%, or that it may be frozen. Further information will be given to Council at the meeting.

2.5.7 Nottinghamshire County Council

Nottinghamshire County Council will meet on Thursday 26 February 2015. Current 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 2015/16 by 1 March 2015. Those that have already been received are detailed below, together with the provisional notifications received from the remainder. Anticipated parish precepts total £535,916, an increase of 3.25% on those declared for 2014/15.

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.

The impact of the CTRS on the tax-base of Gedling Borough Council's parishes was initially estimated to be £28,400, and in 2013/14 and 2014/15 this sum was made available for grant assistance to parishes. The total sum included in the SFA is higher than this, and the remainder was previously partly used to establish a hardship fund for vulnerable claimants, including those in parish areas. Demand on the fund has been lower than anticipated and Cabinet agreed in principle at its meeting on 19 January 2015 to make the full amount of £47,500 available to parishes in 2015/16, an increase in grant of £19,100, in recognition of the work they do in their communities.

As CTRS grant is not protected from future funding reductions, the amount of the grant to be paid to parishes must continue to be reviewed annually.

Parish:	Precept 2015/16	Tax Base 2015/16	Band D 2015/16	Band D 2014/15	+/- £	+/- %
Bestwood	29,124	1,508.63	19.30	17.75	+1.55	+8.73
Burton Joyce	111,575	1,441.87	77.38	75.76	+1.62	+2.14
Calverton	159,394	2,084.40	76.47	76.47	Nil	0.00
Colwick	31,335	845.66	37.05	37.12	-0.07	-0.19
Lambley	15,500	485.88	31.90	30.80	+1.10	+3.57
Linby	7,478	109.38	68.37	63.47	+4.90	+7.72
Newstead	14,652	357.12	41.03	39.45	+1.58	+4.01
Papplewick	9,819	278.07	35.31	33.43	+1.88	+5.62
Ravenshead	118,968	2,686.76	44.28	44.28	Nil	0.00
Stoke Bardolph	326	53.15	6.13	10.51	-4.38	-41.67
Woodborough	37,745	905.14	41.70	42.06	-0.36	-0.86

In percentage terms, individual movements 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 2015/16.

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 2015/16.

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
2015/16
Treasury Strategy 2015/16
Capital Programme Report 2015/16
Gedling Plan Report 2015/16
Precept notifications 2015/16

Recommendation

That:

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

Members recommend the calculations for 2015/16 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 2015/16 and comply with the requirements of the Local Government Finance Act.

For more information, please contact:

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