

## **Report to Council**

**Subject:** Council Tax 2016/17

**Date:** 7 March 2016

**Author:** Leader of the Council

### **Wards Affected**

Borough wide.

### **Purpose**

This report summarises the General Fund Revenue Budget for the Council in 2016/17. 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 2016/17.

### **Key Decision**

This is a key decision.

### **Background**

- 1.1 At the time of preparing this report, whilst a formal notice of precept requirement has been received from the Office of the Police and Crime Commissioner confirming a 1.99% rise in council tax for 2016/17, formal notifications from the other major preceptors have not yet been received. It is understood that Nottinghamshire County Council is proposing a rise of 3.99%, and the Fire Authority a rise of 1.95%. 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 18 February 2016, the final Local Government Finance settlement figures were announced on 8 February 2016. The Council's Settlement Funding Assessment (SFA) for 2016/17 totals £4,231,225 and represents the aggregate of revenue support grant of £1,415,715 and estimated retained business rates of £2,815,510. The SFA represents a cash reduction of £707,246 or 14.32% from the comparative figure for 2015/16.

- 1.3 The New Homes Bonus (NHB) is funded from the centrally retained share of Business Rates income and is paid as a separate non ring-fenced grant, which is not part of the SFA. When the NHB scheme was introduced in 2011/12 it was intended to be a predictable, permanent and enduring feature of local government funding, however the government is now consulting on changes to the scheme to be effective from 2017/18, with the aim of transferring at least £800m to support social care funding. Gedling has been awarded £368,775 for 2016/17 bringing the cumulative total to be received in the year to £2,400,303. It was expected that the amount receivable would then stabilise at this level, however in the light of the consultations, it is now clear that there is a significant risk to future funding levels.
- 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 2016/17 to 2019/20 for all shire districts has been set at a 2% or £5 increase, whichever is greater. Any Council which sets an increase greater than this, and does not get support from the electorate via the referendum, will have to revert to a council tax level that is compliant.

## Proposal

### 2.1 Proposed Portfolio Budget 2016/17

The proposed budgets for 2016/17, as recommended to Cabinet elsewhere on this agenda, are summarised in the table below:

<b>Portfolio:</b>	<b>£</b>
Community Development	1,511,700
Housing, Health and Well-being	2,357,100
Public Protection	1,613,800
Environment	4,426,600
Growth and Regeneration	934,300
Resources and Reputation	1,779,800
<b>Base Budget 2016/17</b>	<b>12,623,300</b>

The Government has not announced any funding for local authorities that do not increase council tax in 2016/17. Whilst acknowledging this, Cabinet has recommended that Gedling's council tax be **frozen** for 2016/17.

## 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 were received by the end of the consultation period.

## 2.3 The General Fund Balance

The General Fund balance at 1 April 2016 is estimated to be £5,666,500.

If a council tax freeze is approved, a contribution from balances of £480,300 will be required in 2016/17. 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 2016/17.

## 2.4 Robustness of Estimates

The Local Government Act 2003 requires that the Council's Chief Financial Officer provide advice to the Council on the adequacy of financial reserves, and the robustness of the estimates. The CFO's comments are as follows:

### THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE GENERAL FUND BALANCES:

The annual budget and the medium term plan are based on a range of assumptions, detailed to Cabinet on 18 February, and these have enabled estimates of current and future spending to be modelled. The Council has an excellent track record of meeting demands within the approved budget, together with a good reputation for the robustness of its financial planning. The Council also has an established process for assessing the financial risk factors inherent in any business activity, and the financial risk register shows that it is able to manage risk over the medium term. Good progress has been made with the three year budget reduction programme agreed in 2014/15, and whilst there remains inherent risk in the full delivery of this programme provision has been made in the current proposals for this.

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 achievement of the current plan is dependent upon continuing financial restraint and the delivery of future efficiency targets that are still dependent on developing a delivery plan. Whilst the deficit is currently considered to be at a manageable level, it is expected that there will need to be some contraction of service delivery, and or performance, given the scale of the ongoing reductions required.

The annual budget for 2016/17 and the early years of the MTFP leave the Council with a higher level of balances than the minimum required. Whilst existing management approaches should enable the Council to deliver the reductions required in the medium to long term, further changes to the way that services are delivered will be required if the Council is to fully achieve its ambitions and achieve a sustainable financial position.

The Council will continue to implement significant changes in order to balance the MTFP. These plans, if implemented, will mean that the financial outlook remains positive, and that the 2016/17 estimates, and beyond, are robust. Members are advised that risk levels in the MTFP are increasing as a result of significant changes to local government funding settlements and to continuing financial restraint, but that they are currently still 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 capital and revenue budgets in the medium to long term remain significant, as demonstrated in the Gedling Plan which shows continued future reliance on the use of General Fund balances to support expenditure levels, as reported to Cabinet on 18 February 2016.

The Council has in the past successfully managed such pressures, 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 2016/17 Council Tax.

## 2.5 Council Tax 2016/17

### 2.5.1 Tax Base

The Council tax-base was determined by the Leader of the Council as 36,104.62 on 31 December 2015. 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)	1,415,715
Business Rates (estimated)	2,815,510
<b>Settlement Funding Assessment (SFA) including non-ringfenced grants (but not NHB)</b>	<b>4,231,225</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 following the introduction of the Business Rates Retention regime on 1 April 2013, also for NNDR.

The estimated Council Tax surplus of £987,000 declared at 15 January 2016 will be shared by the authorities precepting on the Council Tax Collection Fund as follows:

<b>Preceptor:</b>	£
Nottinghamshire County Council	738,799
Nottinghamshire Police & Crime Commissioner	105,007
Combined Fire Authority	43,112
Gedling Borough Council	100,082
<b>Total declared SURPLUS</b>	<b>987,000</b>

An estimated NNDR deficit of £1,367,817 was declared on 31 January 2016. This will be split as follows:

<b>Proportionate Share:</b>	£
Central Government 50%	683,908
Gedling Borough Council 40%	547,127
Nottinghamshire County Council 9%	123,104
Combined Fire Authority 1%	13,678
<b>Total declared DEFICIT</b>	<b>1,367,817</b>

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

### 2.5.4 Gedling Borough Council – Council Tax 2016/17

Cabinet have recommended a net budget of £12,623,300 and a council tax freeze for 2016/17. The summary of the proposed budget and the amount to be raised by Council Tax of £5,526,537 is detailed in the table below, together with the estimated position on the General Fund Balances:

	£
<b>Total Portfolio Budget:</b>	<b>12,623,300</b>
Less:	
Settlement Funding Assessment (SFA)	(4,231,225)
New Homes Bonus	(2,400,303)
Council Tax (surplus)/deficit declared 15 Jan 16 – as above	(100,082)
NNDR growth, renewables & collection fund deficit	115,191
Contribution from balances in the year	(480,344)
<b>COUNCIL TAX REQUIREMENT</b>	<b>5,526,537</b>
<b>General Fund Balance:</b>	
Estimated General Fund Balance at 1 April 2016	5,666,499
Transferred from balances during 2016/17 to support General Fund expenditure	(480,344)
<b>ESTIMATED GENERAL FUND BALANCE AT 1 APRIL 2017</b>	<b>5,186,155</b>
Minimum required General Fund balance at 1 April 2017	946,700

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

Formal notification has been received that the Nottinghamshire Police and Crime Commissioner agreed a precept with the Police and Crime Panel on 1 February 2016, and its council tax will rise by 1.99%. This produces an amount per Band D property of £179.91.

#### 2.5.6 Combined Fire Authority

The Combined Fire Authority will meet on Friday 26 February 2016. Current indications are that its council tax will rise by 1.95% but further information will be given to Council at the meeting.

#### 2.5.7 Nottinghamshire County Council

Nottinghamshire County Council will meet on Thursday 25 February 2016. Current indications are that its council tax will rise by 3.99%, including the 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 2016/17 by 1 March 2016. Those that have already been received are detailed below, together with the provisional notifications received from the remainder. Anticipated parish precepts total £584,123, an increase of 9% on those declared for 2015/16.

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

The impact of the CTRS on the tax-base of Gedling Borough Council's parishes was initially estimated at £28,400 however the sum included in the SFA was rather higher, and in 2015/16 the full amount of £47,500 was made available to parishes in recognition of the work they do in their communities.

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 2016/17 be reduced by £6,800 to £40,700 in line with the 14.32% reduction in Gedling's overall SFA for 2016/17.

Parish:	Precept 2016/17	Tax Base 2016/17	Band D 2016/17	Band D 2015/16	+/- £	+/- %
Bestwood	29,537	1,530.03	19.30	19.30	Nil	Nil
Burton Joyce	128,071	1,442.71	88.77	77.38	+11.39	+14.72
Calverton	174,626	2,158.98	80.88	76.47	+4.41	+5.77
Colwick	30,000	858.24	34.96	37.05	-2.09	-5.64
Lambley	15,699	492.12	31.90	31.90	Nil	Nil
Linby	8,226	113.23	72.65	68.37	+4.28	+6.26
Newstead	14,724	358.86	41.03	41.03	Nil	Nil
Papplewick	9,918	278.79	35.58	35.31	+0.27	+0.76
Ravenhead	122,295	2,706.96	45.18	44.28	+0.90	+2.03
Stoke Bardolph	367	53.33	6.88	6.13	+0.75	+12.23
Woodborough	50,660	915.35	55.34	41.70	+13.64	+32.71

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 2016/17.

### **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 2016/17.

### **Financial Implications**

All financial implications are discussed within the report.

### **Appendices**

None

### **Background Papers**

Central Government Report – Local Government Finance in England 2016/17  
Treasury Strategy 2016/17  
Capital Programme Report 2016/17  
Gedling Plan Report 2016/17  
Precept notifications 2016/17

### **Recommendation**

That:

- (1) Members determine the application of fund balances, or contributions to balances.
- (2) Members recommend the calculations for 2016/17 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 2016/17 and comply with the requirements of the Local Government Finance Act.



**For more information, please contact:**

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