

COUNCIL TAX 2019/20**1.0 INTRODUCTION AND BACKGROUND:**

- 1.1 This paper considers the level of Council Tax for 2019/20 in the light of the Revenue Budget for 2019/20 and Financial Strategy, as well as the Government's four year funding settlement, the 75% business rates retention scheme pilot, income generating revenue streams and proposals for an increase in Council Tax of £5 on a Band D equivalent property.

2.0 REVENUE ESTIMATE AND FINANCIAL STRATEGY:

- 2.1 The approved revenue estimate for 2019/20 is a net total of £9,085,870 which is an increase of £989,700 on the 2018/19 budget at £8,096,170. The increase in the budget mainly relates to an increase in salaries and members allowance across the organisation. This is two-fold where the 'national employer' offer across all local authorities has suggested increasing salaries by 2% and also ensures those on lower wages receive the national living wage. Secondly, due to pressures that have arisen in Departments during 2018/19 new employees have been appointed to support the delivery of services across the district, the projects detailed in the Council plan as well as the review of plans to generate other sources of income for the future sustainability of the financial strategy.
- 2.2 The Financial Strategy demonstrates that the budget of £9,085,870 is affordable and allows the Council to set a balanced budget.
- 2.3 The affordability of this budget is estimated on assumptions made in the Financial Strategy around the level of grant funding detailed in the Government's four year funding settlement, the 75% Business Rates Retention Scheme Pilot and the ability of the Council to generate income from new opportunities, along with the level of Council Tax and Business Rates forecast for 2019/20.

3.0 FOUR YEAR FUNDING SETTLEMENT AND BUSINESS RATE RETENTION SCHEME:

- 3.1 The background to the four year funding settlement originated from the Chancellor's Autumn Statement on 23 November 2016 when it was announced that the for local authorities for 2016/17 to 2019/20 there would be a four year funding settlement; this Council approved its four year settlement in September 2016. The four year settlement shows the continuation of grant reductions for Local Government and it is estimated that the Council will lose £2,481,075 or 21.5% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20. These cuts are in addition to the grant funding already lost in the previous Parliament of £2,708,525 or 46.6%.
- 3.2 The funding settlement for the 2019/20 financial year was confirmed by the Ministry of Housing, Communities & Local Government on 29 January 2019. The headline Core Spending Power nationally is expected to increase by 2.8%, where the largest driver of this increase is the funding for the new adult social care grants. The Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax.
- 3.3 The Core Spending Power for this Council in 2019/20 has increased by 1% which is lower than the national average as the council wouldn't benefit from the adult social care grant. The 1% increase comes from new homes bonus grant and increase in council tax and the increase in the number of properties in the district.
- 3.4 The detail of the Local government Finance Settlement is set out below and in summary the Council would be guaranteed to receive £4,373,414 of funding in 2019/20 from a combination of revenue support grant, rural services delivery grant, new homes bonus grant and retained business rates.

- 3.5 In September 2018, Cabinet confirmed that the Council would partake in the application to Ministry of Housing, Communities and Local Government (MHCLG) for a 2019/20 75% Business Rate Retention Pilot Scheme which now encompasses North Yorkshire and West Yorkshire Councils. This pilot was approved in December 2018 in the Local Government Finance Settlement for one year only. The pilot is forecast to result in the Council receiving increased business rates during 2019/20 and therefore by entering into this pilot, the Council foregoes the revenue support grant and rural services delivery grant funding. This is deemed to be beneficial to the Council as increased funding from business rate growth for one year is estimated to be achieved.
- 3.6 The table below shows the Funding Settlement (as if revenue support grant and rural service delivery grant were to be received) and compares this to the funding to be received from the 75% Business Rate Retention Scheme pilot. This highlights that the funding to be received from either funding route at the stage would be the same. However the benefit of the 75% Business Rate Retention Scheme is that increased funding will occur from business rates growth which the Council, along with other local authorities in the pilot, will be able to keep. This is explained further in the paragraphs below.

Detailed Government Funding Settlement and 75% Business Rate Retention Scheme

| | Funding Settlement | 75% Business Rate Retention Scheme Pilot |
|--|---------------------------|---|
| | 2019/20 | 2019/20 |
| | £ | £ |
| Hambleton District Council share of Business rates Target at 80% | 10,985,052 | 14,417,881 |
| Fixed tariff paid to the Government | -8,930,899 | -11,645,374 |
| Hambleton District Council Retained Business Rates Target | 2,054,153 | 2,772,507 |
| Revenue Support Grant | 89,510 | 0 |
| Rural Services Delivery Grant | 628,844 | 0 |
| New Homes Bonus | 1,600,907 | 1,600,907 |
| Total Funding Settlement | 4,373,414 | 4,373,414 |

- 3.7 The 75% Business Rate Retention Scheme pilot Funding Mechanism has with it inherent risk for Local Government, this is the same as the risk that would have been undertaken under the scheme adopted through the Business Rate pool which the Council has been a member of with other North Yorkshire councils in previous years. Principally, if the Business Rate target set for the Council is not met then the reduction in Business Rates will reduce the local share received. Any loss of income will be met 80% by Hambleton District Council, 18% by North Yorkshire County Council and 2% by North Yorkshire Fire and Rescue Authority.
- 3.8 An aspect of the regulations in respect of the Business Rate Retention Scheme, including the 75% pilot, is that councils set the Business Rates base figure and reported it to government in the preceding year. The Government then uses this every year to set the Business Rates Collection Target for the Council as seen in the table above. The total Business Rates Base figure for 2019/20 is £27,862,977; these Business Rates are then contributed to the 75% Business Rate pilot scheme, along with the other councils collected business rates. This is then distributed out on a calculated basis so all Council's in the pilot benefit.

- 3.9 The funding of the 2019/20 budget has been set using the actual Retained Business Rate target from the NNDR1 return, completed on 31 January 2019, rather than that presented in the table above because the NNDR 1 figure is a timelier and more accurate reflection of the amount the Council is likely to receive and is connected to the expected business rate growth from the pilot; this is estimated at £4,576,726.
- 3.10 Under the 75% Business Rate Retention Scheme pilot, Business Rate appeals lodged by organisations in Hambleton also have a direct impact on the Council. Therefore when estimating appeals this figure can have a favourable or adverse effect on the business rate income collated in a year; this is taken into account when estimating the amount of business rate funding to be received in any one year. In addition, for 2019/20 there is also a collection fund deficit of £383,395.
- 3.10 Increases in Business Rate levels are set each year by Central Government where the business rate multiplier is updated using the September Consumer prices Index (CPI) rather than Retail Prices Index (RPI) from April 2018 onwards. Therefore the provisional rate poundage to be applied in 2019/20 has been announced as follows:-
- Non-Domestic Rate 50.4p
 - Small Business Rate 49.1p
- 3.11 Finally, it should be noted that further changes to business rates were made in 2017/18 where on 1 April 2017 all businesses were revalued and at the same time the Valuation Office Agency changed the methodology in which appeals against business rate valuations were made. The transition for these measurers will be supported by the Government, however the introduction of the Check, Challenge and Appeal process from 1 April 2018 from businesses querying the rateable value of their business and the limited number of appeals currently being processed continues to have an effect of uncertainty on business rate estimates. A combination of all these factors, in the previous paragraphs, will result in the Council potentially getting lower business rate growth and income; the position will be monitored.

4.0 INCOME GENERATING REVENUE STREAMS:

- 4.1 In 2019/20, due to the reduction of Government grants, the Council needs to look for other sources of funding to support the future revenue budget and the ongoing financial sustainability of the 10 year financial strategy. Therefore to continue to support services the financial strategy details from 2020/21 that external income will be generated. This does not affect the 2019/20 budget or the position on Council Tax 2019/20 but it should be noted that plans are in place to ensure the Council's future level of reserves.

5.0 COUNCIL TAX:

Council Tax Base

- 5.1 Each year the Council is required to formally set the Council Tax Base and advise the appropriate precepting bodies. This must be done by 15 January each year.
- 5.2 The Council Tax Base for 2019/20 is set at 36,847.22.

Council Tax Levels

- 5.3 If the assumptions made above are current then the 2019/20 Council Tax at Band D will be:-

| 2018/19 £ | | 2019/20 £ | Assumption |
|-----------|-----------------------------|-----------|--------------|
| 1,180.18 | County Council (NYCC) | TBC | TBC increase |
| 68.67 | NYCC – Adult Social Care | TBC | TBC increase |
| 232.82 | Police & Crime Commissioner | TBC | TBC increase |

| | | | |
|---------------|--------------------|---------------|---------------------|
| 69.20 | Fire Authority | TBC | TBC increase |
| 40.33 | Parishes (average) | 40.77 | Parishes (average) |
| <u>104.48</u> | Hambleton | <u>109.48</u> | £5 increase |
| 1,695.68 | | | |

6.0 **IMPACT ON RESERVES:**

6.1 The impact on the Council's Council Taxpayers Reserve from the revenue budget, funding settlement, business rates and Council Tax decision is set out in the table below:-

| | £ |
|-------------------------------------|------------------|
| Revenue Budget: | 9,085,870 |
| Financed by:- | |
| New Homes Bonus Grant | 1,600,907 |
| 75% Retained Business Rates | 4,576,726 |
| Collection Fund (Deficit) / Surplus | (383,395) |
| Council Tax | 4,034,034 |
| Contribution (to) /from Reserves | <u>(742,402)</u> |
| Balanced budget | 0 |

6.2 It is estimated that the Council will make a contribution to reserves – specifically the Council Taxpayers reserve - of £742,402 to balance the 2019/20 budget and ensure the financial sustainability of the Council's reserve for the foreseeable future.

7.0 **RISK ASSESSMENT:**

7.1 There are no major risks associated with this report.

8.0 **LOCAL GOVERNMENT ACT 2003:**

8.1 Section 25 of the Local Government Act 2003 requires the Council's S151 Officer (Chief Financial Officer) to report to Members on the robustness of the budget and the adequacy of reserves held by the Council.

8.2 The approved Revenue Budget 2019/20 has now been prepared by the Council's budget holders and has been subjected to challenge by the Finance staff and Chief Officers. The S151 Officer therefore concludes that the budgets included in this Council Tax setting process are robust and have been prepared in accordance with proper practices.

8.3 The reserves of the Council are set out in Annex C to this report. The S151 Officer considers the level of reserves adequate to maintain the Council's current revenue expenditure and enable its longer term objectives as set out in the Financial Strategy. Annex C sets out the policy on Reserves and Balances and supports these comments. Annex C also makes recommendations on the level of Balances and Reserves.

HAMBLETON DISTRICT COUNCIL**CABINET 5 FEBRUARY 2019****Parish Precepts and Council Tax Amounts 2019/20**

| | | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H |
|--|--------------|--|---------------------------------------|--------|--------|--------|--------|--------|------------|
| | | £ | £ | £ | £ | £ | £ | £ | £ |
| 1) COUNTY COUNCIL PRECEPT | | | | | | | | | |
| COUNCIL TAX BASE | 36,847.22 | | | | | | | | |
| BAND D EQUIVALENT | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2) COUNTY COUNCIL PRECEPT - ADULT SOCIAL CARE | | | | | | | | | |
| COUNCIL TAX BASE | 36,847.22 | | | | | | | | |
| BAND D EQUIVALENT | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2) FIRE AUTHORITY PRECEPT | | | | | | | | | |
| COUNCIL TAX BASE | 36,847.22 | | | | | | | | |
| BAND D EQUIVALENT | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3) POLICE & CRIME COMMISSIONER | | | | | | | | | |
| COUNCIL TAX BASE | 36,847.22 | | | | | | | | |
| BAND D EQUIVALENT | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4) HAMBLETON DISTRICT COUNCIL | | | | | | | | | |
| TOTAL PARISH PRECEPTS | 1,502,134.05 | Council Tax Base- Band D 36,847.22 | Band D Amount for Parish (Average) | | | | | | £ 40.77 |

| | | | | | | | | | | |
|----------------------|---------------------|-----------|--|--|--|--|--|--|--|--------|
| HAMBLETON DC PRECEPT | 4,034,033.65 | 36,847.22 | Band D Amount for Hambleton without Special Area Expenses (Parishes) | | | | | | | 109.48 |
| TOTAL HAMBLETON AREA | <u>5,536,167.70</u> | 36,847.22 | Band D Amount for Hambleton DC (Average) | | | | | | | 150.25 |

5) OTHER INFORMATION

| | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | £ |
| Average Hambleton DC Council Tax (ie excluding NYCC, Fire and Police Authority Precepts) | 96.54 | 112.63 | 128.72 | 144.81 | 176.99 | 209.17 | 241.35 | 289.62 |
| Total Amount of Tax - Unparished Areas (ie HDC, NYCC, Fire and Police Precepts) | 72.99 | 85.15 | 97.32 | 109.48 | 133.81 | 158.14 | 182.47 | 218.96 |