

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
10 February 2015

**Subject:** COUNCIL TAX 2015/16

**All Wards**  
**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 This report considers for 2015/16 the level of Council Tax and the policy on reserves. In addition, it provides Members with details of the Council's formula grant settlement released on 19 December 2013 and the Council's Business Rates base that will be used by Government to calculate the Business Rates target for 2016/17 for the Retained Business Rates funding mechanism, which is now operated as a pool across North Yorkshire.
- 1.2 The current Financial Strategy assumes that the Council will set a 0% increase in Council Tax and accept the Council Tax Freeze Grant offered by Government. It is proposed that this strategy is followed and that Council Tax in Hambleton is frozen for the fifth consecutive year.
- 1.3 Detailed budget proposals were considered previously on this Cabinet agenda. The revenue budget for 2015/16 is £6,918,280, approximately a 7% reduction on the 2014/15 revenue budget which was set at £7,463,150.
- 1.4 The impact of the Localisation of Council Tax Benefit on the Council Tax Base and the implications for precepting authorities, in particular Parish Councils, is discussed in Annex 'A'.
- 1.5 The statutory consultation with ratepayers was held during December 2014. The results of these consultation exercises have been considered as part of the budget process and are attached in Annex 'B'.
- 1.6 A policy on the Balances and Reserves is set out in Annex 'C' for Members' approval.

### **2.0 RISK ASSESSMENT:**

- 2.1 There are no major risks associated with the recommendations in this report.

### **3.0 RECOMMENDATIONS:**

- 3.1 That Cabinet recommends to Council:-

- (1) That it be noted that on 15 January Council calculated the Council Tax Base 2015/16:-
  - (a) for the whole Council area as £34,710.28 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; and
  - (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Annex 'A'(1).

- (2) That the Council has calculated the Council Tax requirement for the Council's own purposes for 2015/16 (excluding Parish precepts) as £3,105,875.85.
- (3) That the following amounts be calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-
- (a) **District/Parish Gross Expenditure**  
 £45,687,808.80 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils
- (b) **District/Parish Gross Income (including Government Grants, use of Reserves and Collection Fund Surpluses etc)**  
 £41,306,984.15 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act
- (c) **District/Parish Net Expenditure**  
 £4,380,824.65 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act)
- (d) **Basic Amount of Tax (including average Parish Precepts)**  
 £126.2112 being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts)
- (e) **Parish Precepts**  
 £1,274,948.80 being the aggregate of all special items (Parish Precepts) referred to in Section 34(1) of the Act (as per Annex 'A')
- (f) **Basic Amount of Tax (Unparished Areas)**  
 £89.4800 being the amount at 3(d) above less the result given by dividing the amount at 4(e) above by Item T (1(a) above), calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates
- (4) **Major Precepting Authorities** That it be noted that the North Yorkshire County Council, the North Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner North Yorkshire have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below and at Annex 'A'(1).
- (5) **Council Tax Bands for All Councils**  
***Figures for North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Police and Crime Commissioner North Yorkshire are yet to be determined and will be reported at Council on 24 February 2015.***

That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts in the tables below as the amounts of Council Tax for 2015/16 for each part of its area and for each of the categories of the dwellings.

Hambleton District Council

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
59.65	69.60	79.54	89.48	109.36	129.25	149.13	178.96

North Yorkshire County Council

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

North Yorkshire Fire and Rescue Authority

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

Police and Crime Commissioner North Yorkshire

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

(6) **Excessive Council Tax**

That the Council determines that the Council's basic amount of Council Tax for 2015/16 (at 3(f) above) is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

- (7) The appropriate amount is taken from the Council Taxpayers Reserve to support the decision at (3) above.
- (8) The policy on Balances and Reserves at Annex 'C' is approved.

JUSTIN IVES

**Background papers:** None

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**COUNCIL TAX 2015/16****1.0 INTRODUCTION AND BACKGROUND:**

- 1.1 This paper considers the level of Council Tax for 2015/16 in the light of the revenue budget for 2015/16 and Financial Strategy, as well as the Government's Formula Grant settlement and proposals for a fifth year of Council Tax freeze.

**2.0 REVENUE ESTIMATE AND FINANCIAL STRATEGY:**

- 2.1 The approved revenue estimate for 2015/16 is a net total of £6,918,280, this is approximately a 7% reduction on the 2014/15 approved budget of £7,463,150.
- 2.2 The Financial Strategy demonstrated that the budget of £6,918,280 was affordable and would allow the Council to set a balanced budget.
- 2.3 The affordability of this budget was predicted on assumptions made in the Financial Strategy around the level of grant funding for 2015/16, this affordability has been confirmed in the level of grant support allocated to the Council as part of the Local Government Finance Settlement announced on 20 December 2014.

**3.0 FORMULA GRANT SETTLEMENT AND COUNCIL TAX:**

- 3.1 The Comprehensive Spending Review announced in October 2010 set out unprecedented grant reductions for Local Government over the 4 year period 2011/12 to 2014/15. These cuts have continued and to date the Council has lost £2,708,525 or 46.6% of its grant funding.
- 3.2 On 20 December 2014 the Finance Settlement for 2015/16 was announced. The detail of the settlement is set out below, but in summary the Council is guaranteed to receive £3,497,039 of funding in 2015/16 from a combination of new Revenue Support Grant, Council Tax Freeze Grant, Localisation of Council Tax Benefit Grant and retained Business Rates. This is a £547,824 or 15.6% reduction on the amount received in 2014/15.

**Detailed Funding Settlement**

	<b>2015/16 £</b>
Business Rates target	26,889,770
Levy paid to Central Government	(13,444,885)
Local share of Business Rates	13,444,885
County Council/Fire share at 20%	(2,688,977)
Hambleton District Council share at 80%	10,755,908
Fixed tariff paid to Central Government	(8,861,141)
Hambleton District Council Retained Business Rates Target	1,894,767
Hambleton District Council Guaranteed Business Rates based on the Safety Net.	1,752,660
Revenue Support Grant	1,602,272
<b>Total Funding Settlement</b>	<b>3,497,040</b>

- 3.3 The Business Rate Retention Funding Mechanism has with it inherent risk for Local Government. Principally, if the business rate target set for the Council is not met the reduction in Business Rates will reduce the local share, not the amounts paid to Central Government. 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.
- 3.4 An aspect of the regulations in respect of the Business Rate Retention Scheme, Councils must set a Business Rates Base figure which is approved, this is used by Government to set the Business Rates Collection Target for the Council in the preceding year. The Business Rates Base figure for 2015/16 is £26,950,801, this is the latest estimate from the National Non-domestic Rates Return.
- 3.5 The 2015/16 budget has been set using the actual business rate target from the NNDR1 return rather than that presented in the funding settlement as this figure is a timelier and more accurate reflection of the amount the Council is likely to receive. Under the Business Rate Retention System business rate appeals lodged by organisations in Hambleton have a direct impact on the Council. For 2015/16 there is a collection fund deficit of £578,900 as a result of past appeals this should not be an issue in future years as legislation is now in place to prevent organisations back dating appeals.
- 3.6 Increases in Business Rate levels are set each year by Central Government and are based upon the RPI figure for September which stood at 2.3% (capped at 2%). The provisional rate poundage to be applied in 2015/16 has been announced as follows:-  
- Non-Domestic Rate 49.3p  
- Small Business Rate 48.0p
- 3.7 Under Schedule 7 of the Local Government Finance Act 1988, the provisional multipliers will be confirmed after either the Local Government Finance Report 2015/16 has been approved by Parliament or by the end of March 2015.

#### **4.0 COUNCIL TAX:**

##### Council Tax Base

- 4.1 Each year the Council is required to formally set the Council Tax Base and advise the appropriate precepting bodies. This must be done by 31 January each year.
- 4.2 The Council Tax Base for 2015/16 is set at 34,710.28.

##### Council Tax Levels

- 4.3 In producing the table below it must be stressed that some assumptions have been made as the information is not available owing to the precepting authorities not having met at the time of writing this report. Initially, the assumption that has been made is that each of the precepting authorities will accept the Government's proposals of a freeze on Council Tax. However, as stated in paragraph 3.1.5 of the main report the precepting authorities have as yet not provide the information on the level of Council Tax and therefore these figures may be subject to change. Parishes are not currently subject to the provision of the Localism Act relating to excessive Council Tax rises and are not part of the Government's Council Tax Scheme.

4.4 If the assumptions made above are current then the 2015/16 Council Tax at Band D will be:-

2014/15 £		2015/16 £	Assumption
1,078,52	County Council	TBC	
208.62	Police Authority	TBC	
63.33	Fire Authority	TBC	
36.16	Parishes (average)	36.73	Parishes (average)
<u>89.48</u>	Hambleton	89.48	Council Tax freeze
<u>1,476.11</u>			

## 5.0 **IMPACT ON RESERVES:**

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

	£
Revenue Budget:	6,918,280
<b>Financed by:-</b>	
Formula Grant	1,602,272
Retained Business Rates (incl. S31 Grants)	2,467,391
Collection Fund Deficit	(578,900)
Council Tax	3,105,876
Non ring-fenced grants	48,472
Contribution from Reserves	<u>273,169</u>
<b>Balanced budget</b>	<b>0</b>

5.2 It is estimated at this stage that the Council be required to make a contribution from the Council Taxpayers reserve of £273,169 to balance the 2015/16 budget.

## 6.0 **RISK ASSESSMENT:**

6.1 There are no major risks associated with this report.

## 7.0 **LOCAL GOVERNMENT ACT 2003:**

7.1 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.

7.2 The approved revenue budget has now been prepared by the Council's budget holders and has been subjected to challenge by the Finance staff and Chief Officers. I therefore conclude the budgets included in this Council Tax setting process are robust and have been prepared in accordance with proper practices.

7.3 The reserves of the Council are set out in Annex 'C' to this report. I consider 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 my comments. The Annex also makes recommendations on the level of Balances and Reserves.

**BUDGET CONSULTATION 2015/16 - SUMMARY**

The Budget Consultation was carried out between 8 September and 20 October 2014 and was well-publicised to all residents and businesses across Hambleton District.

From the 116 responses received, the largest majority responded from the Northallerton area and the least from the Easingwold area. The bulk of respondents were residents, rather than businesses or other organisations, and the 45-59 year age group attracted the majority of responses. This followed the same pattern as the previous year.

Question four lists 12 service areas and respondents were asked to indicate the order of importance to them. The Waste Service, incorporating household, green, kerbside and street cleansing, continues to rank of most importance to respondents followed closely by Environmental Health and Leisure Services. Benefits and the Housing Service continued to rank of least importance.

Question five asked respondents if they would support increasing council tax to invest in council services. In contrast to the previous year, where the majority responded as 'maybe', the most popular response in this consultation was 'no'. Respondents already felt they paid enough council tax and savings should be sought elsewhere. Any support to increase the tax would very much depend upon where the money would be spent.

Question six lists four services; Leisure, Public Car Parks, Recycling and Environmental Health and asked respondents to indicate their support for increasing fees and charges in these services. Out of those who indicated their support for increasing charges, Leisure attracted the majority of responses while Public Car Parks were overwhelmingly unsupported. This followed the same pattern as the previous year. Further comments suggested a halt to increasing charges and make better use of the funds currently available to manage business in a more effective way. This will be reflected in the 2015/16 budget where no increase will be made to car park fees and charges.

Finally, when asked for any further suggestions on how the council could increase income or reduce costs, a range of suggestions was received from recycling/upcycling waste goods to attracting bigger businesses into the District and improving the existing infrastructure in order to encourage visitors and spending.



**Budget Consultation 2015/16**

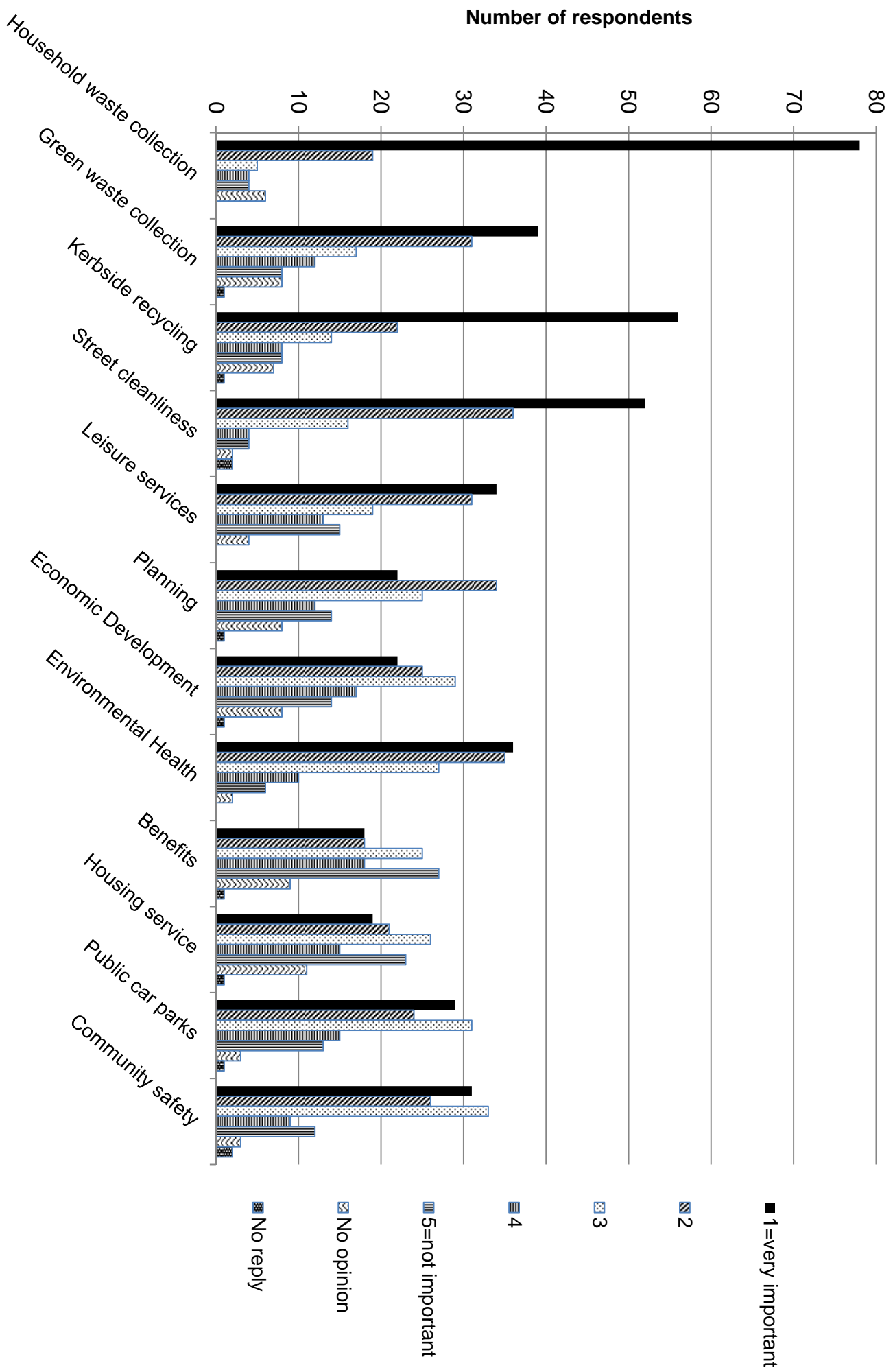
8 September - 20 October 2014  
15 paper and 101 online responses received = 116 total

<b>Q1</b>	<b>Which of the following towns do you live in or closest to?</b>	
	15 (12.9%)	Bedale
	7 (6.0%)	Easingwold
	47 (40.5%)	Northallerton
	29 (25.0%)	Stokesley
	17 (14.7%)	Thirsk
	1 (0.9%)	Prefer not to say

<b>Q2</b>	<b>Are you responding as a ...?</b>	
	94 (79.7%)	Resident
	20 (16.9%)	Business
	2 (1.7%)	Voluntary organisation
	0 (0.0%)	Stakeholder group
	2 (1.7%)	Prefer not to say

<b>Q3</b>	<b>Which age group do you belong to?</b>	
	0 (0.0%)	under 18 years
	4 (3.4%)	19-24 years
	29 (25.0%)	25-44 years
	43 (37.1%)	45-59 years
	35 (30.2%)	60 years and over
	5 (4.3%)	Prefer not to say

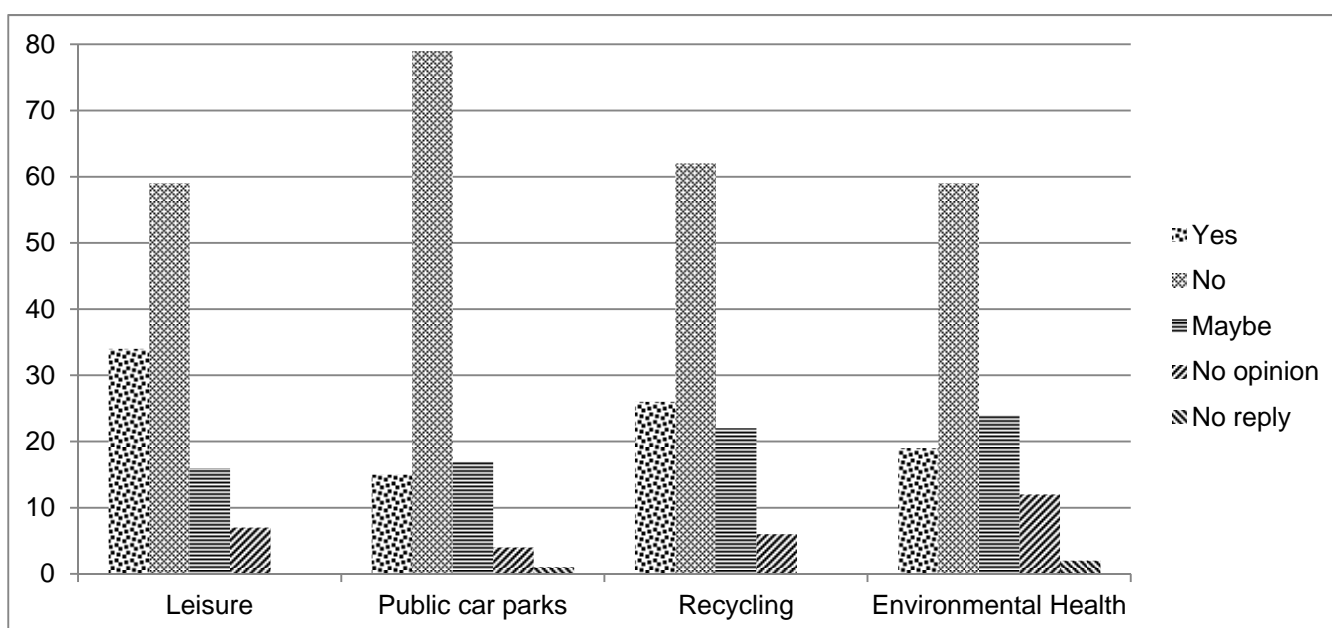
Q4	Please indicate the importance to you of the following services: (1=very important and 5=not important)							
		1	2	3	4	5	No opinion	No reply
	<b>Household waste collection</b> (black bin)	78 (67.2%)	19 (16.4%)	5 (4.3%)	4 (3.4%)	4 (3.4%)	6 (5.2%)	0 (0.0%)
	<b>Green waste collection</b> (green bin)	39 (33.6%)	31 (26.7%)	17 (14.7%)	12 (10.3%)	8 (6.9%)	8 (6.9%)	1 (0.9%)
	<b>Kerbside recycling</b> (blue box and bag)	56 (48.3%)	22 (19.0%)	14 (12.1%)	8 (6.9%)	8 (6.9%)	7 (6.0%)	1 (0.9%)
	<b>Street cleanliness</b> (including litter collection, graffiti removal, fly-tipping)	52 (44.8%)	36 (31.0%)	16 (13.8%)	4 (3.4%)	4 (3.4%)	2 (1.7%)	2 (1.7%)
	<b>Leisure services</b> (including leisure centres, arts and culture, sports development, children's play, healthy lifestyles)	34 (29.3%)	31 (26.7%)	19 (16.4%)	13 (11.2%)	15 (12.9%)	4 (3.4%)	0 (0.0%)
	<b>Planning</b> (including planning applications and planning policy)	22 (19.0%)	34 (29.3%)	25 (21.6%)	12 (10.3%)	14 (12.1%)	8 (6.9%)	1 (0.9%)
	<b>Economic Development</b> (support to businesses, management of council offices and land)	22 (19.0%)	25 (21.6%)	29 (25.0%)	17 (14.7%)	14 (12.1%)	8 (6.9%)	1 (0.9%)
	<b>Environmental Health</b> (including licensing, food hygiene inspections, nuisance complaints, private water supplies, pest control)	36 (31.0%)	35 (30.2%)	27 (23.3%)	10 (8.6%)	6 (5.2%)	2 (1.7%)	0 (0.0%)
	<b>Benefits</b> (housing benefits and council tax reduction)	18 (15.5%)	18 (15.5%)	25 (21.6%)	18 (15.5%)	27 (23.3%)	9 (7.8%)	1 (0.9%)
	<b>Housing service</b> (housing option advice, homelessness, provision of affordable housing)	19 (16.4%)	21 (18.1%)	26 (22.4%)	15 (12.9%)	23 (19.8%)	11 (9.5%)	1 (0.9%)
	<b>Public car parks</b> (pay & display, free car parks)	29 (25.0%)	24 (20.7%)	31 (26.7%)	15 (12.9%)	13 (11.2%)	3 (2.6%)	1 (0.9%)
	<b>Community safety</b> (including anti-social behaviour, domestic abuse, alcohol awareness)	31 (26.7%)	26 (22.4%)	33 (28.4%)	9 (7.8%)	12 (10.3%)	3 (2.6%)	2 (1.7%)



	<b>Please expand your answer further if necessary:</b>
	18 responses received

<b>Q5</b>	<b>Would you support increasing Council Tax to invest in Council services?</b>	
	24 (20.7%)	Yes
	54 (46.6%)	No
	34 (29.3%)	Maybe
	3 (2.6%)	No opinion
	1 (0.9%)	No reply
	Please expand your answer further to identify which services you would like to see any investment or no investment in:	
	44 responses received	

<b>Q6</b>	<b>Would you support increasing fees and charges to facilitate investment in the following services?</b>					
		<b>Yes</b>	<b>No</b>	<b>Maybe</b>	<b>No opinion</b>	<b>No reply</b>
	Leisure	34 (29.3%)	59 (50.9%)	16 (13.8%)	7 (6.0%)	0 (0.0%)
	Public car parks	15 (12.9%)	79 (68.1%)	17 (14.7%)	4 (3.4%)	1 (0.9%)
	Recycling	26 (22.4%)	62 (53.4%)	22 (19.0%)	6 (5.2%)	0 (0.0%)
	Environmental Health	19 (16.4%)	59 (50.9%)	24 (20.7%)	12 (10.3%)	2 (1.7%)
	Please expand your answer further if necessary:					
	24 responses received					



<b>Q7</b>	<b>Do you have any other suggestions on how the Council could increase income or reduce costs to support the budget?</b>
	56 responses received

**POLICY ON BALANCES AND RESERVES**

**1.0 BACKGROUND:**

- 1.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to Members on the robustness of the estimates and the adequacy of the reserves for which the budget provides.
- 1.2 The purpose of this Annex is to:-  
-support the statement required to conform to Section 25  
-confirm the use of the Council's balances and reserves, and  
-re-affirm the Council's policy on the level of balances and reserves
- 1.3 The Council currently maintains a number of balances and reserves, each of which has a purpose approved by Members. Each of the balances and reserves will be considered in turn later in this Annex.
- 1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) considers that a case for introducing a statutory minimum level of reserves, even in exceptional circumstances has not been made. The Institute believes that Local Authorities, on the advice of their finance directors, should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary and there is a broad range within which authorities might reasonably operate depending on their particular circumstances.
- 1.5 There is no definitive guidance as to the minimum level of balances or reserves, either as an absolute amount or as a proportion of expenditure, since each local authority is independent, operates in a unique local environment and the decision is one of a number of inter-related decisions taken as part of its financial strategy. Section 32 of the Local Government Act 1992 requires billing authorities (such as Hambleton) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Budgets are based upon forecasts of pay and price inflation, changes in interest rates, and the demand for and levels of service to be provided. The purpose of balances and reserves is to provide for unexpected changes from these forecasts and to provide for the financing of some expenditure. Consequently the provision of an appropriate level of balances and reserves is a fundamental part of prudent financial management over the medium term.

**2.0 BALANCES AND RESERVES:**

- 2.1 Each of the Council's balances and reserves is considered below.
- 2.2 General Fund Working Balance
- 2.2.1 Setting the level of this general reserve is just one of several related decisions in the formulation of the medium-term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:-

### *Budget Assumptions*

- treatment of inflation
- interest rates
- treatment of demand led pressures (e.g. take-up of housing benefits)
- levels of income
- financial risks inherent in significant funding partnerships
- the availability of other funds to deal with emergencies
- estimates of the level of and timing and capital receipts, S106 monies and general cashflows

### *Financial Standing and Management*

- the overall financial standing of the authority
- the authority's track record in budget and financial management
- the capacity to manage in-year budget pressures
- the strength of financial information and reporting arrangements
- the authority's financial procedure rules and budgetary flexibility
- the adequacy of insurance arrangements to cover major unforeseen risks

### *Adequacy of inflation*

2.2.2 Budgetary provision is made for inflation in respect of pay, prices and contract expenditure. The 2015/16 budgets contain a sum of £179,430 for such inflation. An adverse variance of 1% in the assumptions made to these forms of expenditure could result in additional expenditure of £89,720.

### *Adequacy of interest rate assumption*

2.2.3 The Council is a debt free authority and has substantial funds available for investment. The amount under investment however is sensitive to changes in interest rates especially given the short-term nature (less than 1 year) of most of the investment activity and the need to retain some cash liquidity for day to day purposes. The events occurring in the banking and financial markets in 2009/10 shows how unpredictable this area can be. Fortunately for the Council, most of its investments are in fixed term deposits. The 2015/16 budget assumes an average of 0.75% over the year but during this time some core cash investments will need re-investing. The budgets were prepared in a period where interest rates have remained at an all time low and have been stable at 0.5%. It is now unlikely that there will be a further reduction in interest rates to 0% and even more unlikely (although technically possible) for there to be a negative interest rate. However, an adverse variance of 1% in interest rates would affect investment income by approximately £300,000. This would be borne by the Council Taxpayers Reserve.

### *Treatment of demand led pressures*

2.2.4 Demand volatility can affect both expenditure (e.g. take up of housing benefits) and income (eg number of planning applications). Housing Benefit is a significant item of expenditure estimated at £19,01m in 2015/16. In 2015/16 the Localised Council Tax Support Scheme presents a particular risk to the Councils reserves position, increases in council tax support claimants in year will be funded by the Council, subsidy at a reduced rate will not be received until the following year. If payments increase by 1% the cash flow implications would be in the order of £190,100.

### Levels of income

2.2.5 The major income budgets (for fees and charges) in 2015/16 are those relating to:-

	£
Leisure Services	2,602,190
Development Control	700,000
Premises Development	727,930
Parking Charges	633,200
Local Taxation	299,890
Markets	199,780
Licensing	168,290
Land Charges	96,720
Environmental Services	153,550
Planning Services	55,720
Waste Collection	103,600

Total income from fees and charges is budgeted to be £5.789m in 2015/16. The economy is clearly still experiencing difficulties at the moment and recovery is expected to be slow. A moderate fall in demand of say 3% would lead to a reduction in income of about £173,680.

### External Partnerships

2.2.6 Members are aware that the Council acts as the 'Accountable Body' for a number of partnerships. With the potential for these to grow in number the financial exposure increases, however it is felt that a contingency to deal with this is not required as there is sufficient funds in reserves.

### Responding to emergencies

2.2.7 Examples of emergencies in the past include flooding and the outbreak of foot and mouth disease. As a local authority the Council can in certain cases gain financial protection from the Government's Bellwin Scheme. However, this only reimburses 85% of eligible expenditure above a specified threshold. If further resources were required, it is felt that there are sufficient funds in reserves to cover these requirements.

### Capital financing and general cashflows

2.2.8 The Council maintains a capital programme which is supported by external funding and on-going capital receipts. The timing of such receipts rarely matches the expenditure profile, often lagging by months.

2.2.9 Similarly the timing of the Council's income, principally from Council Tax and Business Rate income, does not always match the Council's outgoings (mainly salaries, capital and precept payments). This is particularly the case in February and March when income from Council Tax and Business Rates reduces significantly as the normal instalments cease.

2.2.10 Consequently it is necessary to maintain a large amount for cash flow purposes, thereby reducing the need to frequently draw back funds. A sum of £1,000,000 is recommended for this purpose.

2.2.11 On this basis it would appear that a General Fund Working Balance of around £2,000,000 is required. ***It is recommended that the Council maintain a sum of £2,000,000 as its General Fund Working Balance.*** A level of £2m equates to approximately 4.5% of the Council's gross annual budget requirement. This combined with the Council's internal financial controls should ensure the authority recognises financial 'issues' early and has the capacity to respond accordingly.

### 2.3 Council Taxpayers Reserve

2.3.1 The purpose of this reserve is currently "To support revenue spending on community projects and on enhancing service delivery". ***It is recommended that the purpose of the Council Taxpayers Reserve is maintained.***

2.3.2 The level of the reserve is considered as part of every review of the financial strategy, and needs to be sufficient to fulfil its purpose over the life of the strategy. Clearly over time the level of the reserve will diminish. However, in order for the Council Taxpayer to receive the maximum benefit from the reserve, this should be in a structured and considered way in accordance with expectations of the level of Council Tax assumed in the financial strategy.

### 2.4 Repairs and Renewals Fund

2.4.1 The purpose of this reserve is "To provide revenue support to assist funding of the repairs and renewals". ***It is recommended that the purpose of the Repairs and Renewals Fund is maintained.***

2.4.2 The reserve was established from what was the Capital Fund with monies added to it from the Council Tax Payers Reserve. The reserve will be maintained for the duration of the Financial Strategy.

### 2.5 Computer Fund

2.5.1 The purpose of this reserve is "To provide revenue support to assist funding of computer related purchases". ***It is recommended that the purpose of the Computer Fund is maintained.***

2.5.2 The reserve was established from monies transferred from the Council Tax Payers Reserve. ***It is recommended that the reserve will be maintained for the duration of the Financial Strategy.***

### 2.6 Community Safety Partnership Reserve

2.6.1 The purpose of this reserve is currently "To receive surpluses and deficits from the Community Safety Partnership Accounts". ***It is recommended that the purpose of the Community Safety Partnership Reserve is maintained.***

2.6.2 The reserve is kept as good accounting practice and is not expected to have a significant balance in it.



## 2.7 One-Off Fund

2.7.1 The purpose of this reserve is “To improve or sustain service delivery”. ***It is recommended that the purpose of the One-Off Fund is maintained.***

2.7.2 This reserve is maintained to provide funding for service improvements or unexpected events. It incorporates the former Revenue Efficiency Reserve, Shared Service Efficiency Reserve and the Cyclical Payments Reserve. It is recommended therefore that the minimum balance on this Reserve be kept at £200,000. This is considered adequate, and is sustainable within the current financial strategy. In normal circumstances, however, the level of the fund could be substantially higher than this.

## 2.8 Strategic Forum Reserve

2.8.1 The purpose of this reserve is currently “To bring together members of the public, private, voluntary and community sectors to take forward priorities of the districts identified in the Sustainable Community Strategy”. ***It is recommended that the purpose of the Strategic Forum Reserve is maintained.***

2.8.2 The reserve is kept as good accounting practice and is not expected to have a significant balance in it.

## 2.9 Grants Fund

2.9.1 The purpose of this reserve is currently “To fund revenue grants to organisations on an annual basis”. ***It is recommended that the purpose of the Grants Fund is maintained.***

2.9.2 The level of the fund was initially established to provide for three years funding, and will therefore have a reducing balance over the period. It is expected that the fund will run low in funds by 2018/19 and therefore a review will be needed before this time.

## 2.10 Economic Development Fund

2.10.1 The purpose of this reserve is “To fund initiatives that support and encourage economic growth and stability in Hambleton”. ***It is recommended that the purpose of the Economic Development Fund is maintained.***

2.10.2 This fund was established in 2014/15 with a balance of £5,000,000. It is anticipated that this funding will last 10 years.

## 2.11 Make a Difference Grants Fund

2.11.1 The purpose of this reserve is “To invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector”. ***It is recommended that the purpose of the Make a Difference Grants Fund is maintained.***

2.11.2 This fund was established in 2014/15 with a balance of £125,000. The balance of the fund will be used by 31 March 2016.

## 3.0 LEVEL OF BALANCES AND RESERVES:

3.1 The use of balances and reserves is a critical feature in the Council’s approach to financial management. They enable Council Tax to be maintained at low levels, support the Capital Programme and deliver service improvements.

- 3.2 It is considered important therefore that the level of balances is monitored to ensure that adequate levels are maintained to fulfil their purpose. To a large extent this is done through the Financial Strategy and also targets have been established where each Reserve has a year end balance which is within a 10% tolerance of the balance reflected in the Council's financial strategy. Performance against the target will continue to be reported to Members as part of the year end procedures.
- 3.3 Experience has shown, however, that due to the nature of receipts and payments into and out of the One Off Fund, it is not possible to accurately forecast the level of this reserve at the year end. A more appropriate target for this reserve would be to ensure that a minimum balance is retained.
- 3.4 ***It is recommended that the targets for Reserve balances are:***
- a) A minimum balance for the One-Off Fund of £200,000; and***
  - b) For all other Reserves, within a 10% tolerance on the year end balance as reflected in the Financial Strategy.***