

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: **COUNCIL TAX 2016/17**

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

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report considers the level of Council Tax for 2016/17 and the policy on reserves. It also provides Members with details of the Council's formula grant funding settlement for 2016/17 and the Business Rates target 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 increase Council Tax by £5 on a Band D equivalent property in 2016/17; this is the first time Council Tax has increased for 5 years and is as a result of Central Government no longer offering a Council Tax Freeze grant due to the reduction in Local Government funding.
- 1.3 Detailed budget proposals were considered previously on this Cabinet agenda. The Revenue Budget for 2016/17 is £7,811,370, an increase of £893,000 from 2015/16 due to less income being generated from the re-profiling of interest earned on the loan to Broadacres Housing Association to future years and a reduction in the waste and recycling market prices.
- 1.4 The Council Tax, the implications of the Local Government Finance Settlement and the budget for 2016/17 are discussed in Annex 'A'.
- 1.5 The Council has a specific statutory duty to consult with the Business Community regarding expenditure plans for the coming financial year. A budget consultation was undertaken between October and December 2015 and aims to balance the various needs of the Council and all its stakeholders to produce a soundly based financial plan for the future. The budget consultation process 2016/17 is set against the background of the Council's Medium Term Financial Strategy, which, in turn, uses information from the Government's Local Government Finance Settlement. The results of the 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 of the Council 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 2016/17:-

- (a) for the whole Council area as 35,088.46 [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 2016/17 (excluding Parish precepts) as £3,315,157.70.
- (3) That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-
- (a) **District/Parish Gross Expenditure**
£ 46,616,234.95 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)**
£ 41,970,322.30 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**
£ 4,645,916.65 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)**
£ 132.4057 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**
£ 1,330,754.95 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)**
£94.48 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 23 February 2016.

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 2016/17 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
£	£	£	£	£	£	£	£
62.99	73.48	83.98	94.48	115.48	136.47	157.47	188.96

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 2016/17 (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 transferred to 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 2016/17**1.0 INTRODUCTION AND BACKGROUND:**

- 1.1 This paper considers the level of Council Tax for 2016/17 in the light of the Revenue Budget for 2016/17 and Financial Strategy, as well as the Government's Formula Grant settlement 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 2016/17 is a net total of £7,811,370, which is an increase of £893,000 on the 2015/16 budget at £6,918,280. This is as a result of a re-profiling of when interest will be earned on the loan to Broadacres Housing Association and reduced waste and recycling prices in the market
- 2.2 The Financial Strategy demonstrated that the budget of £7,811,370 was affordable and would allow the Council to set a balanced budget.
- 2.3 The affordability of this budget was estimated on assumptions made in the Financial Strategy around the level of grant funding for 2016/17; 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 17 December 2015.

3.0 FORMULA GRANT SETTLEMENT AND COUNCIL TAX:

- 3.1 The Chancellor's Autumn Statement on 25 November 2015 announced the continuation of grant reductions for Local Government over the next 4 year period 2016/17 to 2019/20. It is estimated that the Council will lose £3,186,523 or 22.4% 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 Local Government Finance Settlement for 2016/17 was announced on 17 December 2015. The detail of the settlement for Hambleton is set out below, but in summary the Council is guaranteed to receive £3,086,575 of funding in 2016/17 from a combination of new Revenue Support Grant, Localisation of Council Tax Benefit Grant, rural funding and retained Business Rates. This is a £426,958 or 12.2% reduction on the amount received in 2015/16.

Detailed Funding Settlement

	2016/17 £
Business Rates target	27,113,852
Levy paid to Central Government	(13,556,926)
Local share of Business Rates	13,556,926
County Council/Fire share at 20%	(2,711,385)
Hambleton District Council share at 80%	10,845,541
Fixed tariff paid to Central Government	(8,934,984)
Hambleton District Council Retained Business Rates Target	1,910,557
Revenue Support Grant	1,020,748
Total Funding Settlement	3,931,305

- 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 2016/17 is £27,445,758, this is the latest estimate from the National Non-domestic Rates Return – NNDR1.
- 3.5 The 2016/17 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, therefore for 2016/17 there is a collection fund deficit of £85,978 as a result of 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 2016/17 has been announced as follows:-
- Non-Domestic Rate 49.7p
 - Small Business Rate 48.4p
- 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 2016/17 has been approved by Parliament or by the end of March 2016.

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 2016/17 is set at 35,088.46.

Council Tax Levels

- 4.3 In producing the table below it must be stressed that some assumptions have been made as the information required is not available owing to the precepting authorities not having met to approve their budget and Council Tax positions at the time of writing this report. Initially, the assumption that has been made is that each of the precepting authorities will increase their Council Tax by 1.99% and North Yorkshire County Council will increase their Council Tax by a further 2% to support the social care budget as detailed in the Local Government Finance Settlement. However, as stated in paragraph 3.1.5 of the main report the precepting authorities have as yet not provided 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 2016/17 Council Tax at Band D will be:-

2015/16 £		2016/17 £	Assumption
1,099.98	County Council	TBC	3.99% increase
212.77	Police Authority	TBC	1.99% increase
64.59	Fire Authority	TBC	1.99% increase
36.73	Parishes (average)	37.93	Parishes (average)
89.48	Hambleton	94.48	£5 increase
<u>1503.55</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:	7,811,370
Financed by:-	
Formula Grant	1,020,748
New Homes Bonus Grant	1,832,136
Retained Business Rates (incl. S31 Grants)	2,367,200
Collection Fund Deficit	(77,188)
Council Tax	3,315,158
Non ring-fenced grants	155,270
Contribution to Reserves	<u>(801,954)</u>
Balanced budget	0

5.2 It is estimated that the Council will make a contribution to the Council Taxpayers reserve of £801,954 to balance the 2016/17 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 2016/17 – SUMMARY

The Budget Consultation was carried out between 24 September and 6 November 2015 and was well-publicised to all residents and businesses across Hambleton District. In addition, a meeting was held on 3 December 2015 in accordance with the statutory requirement to enable all businesses to be able to comment during the budget consultation.

From the 79 responses received, the largest majority responded from the Northallerton area and the least from the Easingwold and Thirsk areas. The bulk of respondents were residents, rather than businesses or other organisations, and the 60 years and over age group attracted the majority of responses.

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. Benefits 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' or 'no', the most popular response in this consultation was 'yes'. Respondents felt they would support an increase to maintain the level of investment in Council services. This is reflected in the 2016/17 budget where Council Tax is to increase by £5 on a Band D equivalent property.

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. This followed the same pattern as the previous year. There were also an equal number of responses across the four areas for not increasing fees and charges. This was considered during the budget process but due to the reduction of funding in the Local Government Finance Settlement an overall increase on all fees and charges has occurred at 2%.

Question seven asked respondents if they were aware that Council Tax was collected not only for Hambleton District Council but also for North Yorkshire County Council, North Yorkshire Fire Authority and North Yorkshire Police & Crime commissioner. 67% of respondents confirmed that they knew Council Tax was collected for these four organisations.

Finally, when asked for any further suggestions on how the Council could increase income or reduce costs, a range of suggestions were received similar to previous years 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 2016/17

24 September - 6 November 2015
 14 paper and 65 online responses received = 79 total

Q1	Which of the following towns do you live in or closest to?	
	12 (15.2%)	Bedale
	6 (7.6%)	Easingwold
	38 (48.1%)	Northallerton
	16 (20.3%)	Stokesley
	6 (7.6%)	Thirsk
	0 (0.0%)	Prefer not to say
	1 (1.3%)	No reply

Q2	Are you responding as a ...?	
	72 (87.8%)	Resident
	3 (3.7%)	Business
	3 (3.7%)	Voluntary organisation
	1 (1.2%)	Stakeholder group
	2 (2.4%)	Prefer not to say
	1 (1.2%)	No reply

Q3	Which age group do you belong to?	
	0 (0.0%)	under 18 years
	0 (0.0%)	19-24 years
	19 (24.1%)	25-44 years
	22 (27.8%)	45-59 years
	35 (44.3%)	60 years and over
	2 (2.5%)	Prefer not to say
	1 (1.3%)	No reply

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
	Household waste collection <i>(black bin)</i>	56 (70.9%)	9 (11.4%)	2 (2.5%)	2 (2.5%)	8 (10.1%)	1 (1.3%)	1 (1.3%)
	Green waste collection <i>(green bin)</i>	33 (41.8%)	14 (17.7%)	10 (12.7%)	4 (5.1%)	14 (17.7%)	3 (3.8%)	1 (1.3%)
	Kerbside recycling <i>(blue box and bag)</i>	36 (45.6%)	12 (15.2%)	13 (16.5%)	6 (7.6%)	8 (10.1%)	1 (1.3%)	3 (3.8%)
	Street cleanliness <i>(including litter collection, graffiti removal, fly-tipping)</i>	37 (46.8%)	21 (26.6%)	9 (11.4%)	2 (2.5%)	8 (10.1%)	0 (0.0%)	2 (2.5%)
	Leisure services <i>(including leisure centres, arts and culture, sports development, children's play, healthy lifestyles)</i>	19 (24.1%)	21 (26.6%)	11 (13.9%)	12 (15.2%)	14 (17.7%)	1 (1.3%)	1 (1.3%)
	Planning <i>(including planning applications and planning policy)</i>	20 (25.3%)	12 (15.2%)	17 (21.5%)	13 (16.5%)	12 (15.2%)	3 (3.8%)	2 (2.5%)
	Economic Development <i>(support to businesses, management of council offices and land)</i>	6 (7.6%)	15 (19.0%)	26 (32.9%)	10 (12.7%)	16 (20.3%)	5 (6.3%)	1 (1.3%)
	Environmental Health <i>(including licensing, food hygiene inspections, nuisance complaints, private water supplies, pest control)</i>	22 (27.8%)	21 (26.6%)	19 (24.1%)	8 (10.1%)	7 (8.9%)	1 (1.3%)	1 (1.3%)
	Benefits <i>(housing benefits and council tax reduction)</i>	14 (17.7%)	8 (10.1%)	19 (24.1%)	13 (16.5%)	18 (22.8%)	5 (6.3%)	2 (2.5%)
	Housing service <i>(housing option advice, homelessness, provision of affordable housing)</i>	17 (21.5%)	11 (13.9%)	16 (20.3%)	15 (19.0%)	16 (20.3%)	3 (3.8%)	1 (1.3%)
	Public car parks <i>(pay & display, free car parks)</i>	12 (15.2%)	17 (21.5%)	18 (22.8%)	15 (19.0%)	16 (20.3%)	0 (0.0%)	1 (1.3%)
	Community safety <i>(including anti-social behaviour, domestic abuse, alcohol awareness)</i>	24 (30.4%)	13 (16.5%)	17 (21.5%)	12 (15.2%)	8 (10.1%)	1 (1.3%)	4 (5.1%)

Number of Respondents

60
50
40
30
20
10
0

■ 1=very important

▨ 2

▤ 3

▥ 4

▧ 5=not important

▩ No opinion

▪ No reply

Household waste collection

Green waste collection

Kerbside recycling

Street cleanliness

Leisure services

Planning

Economic Development

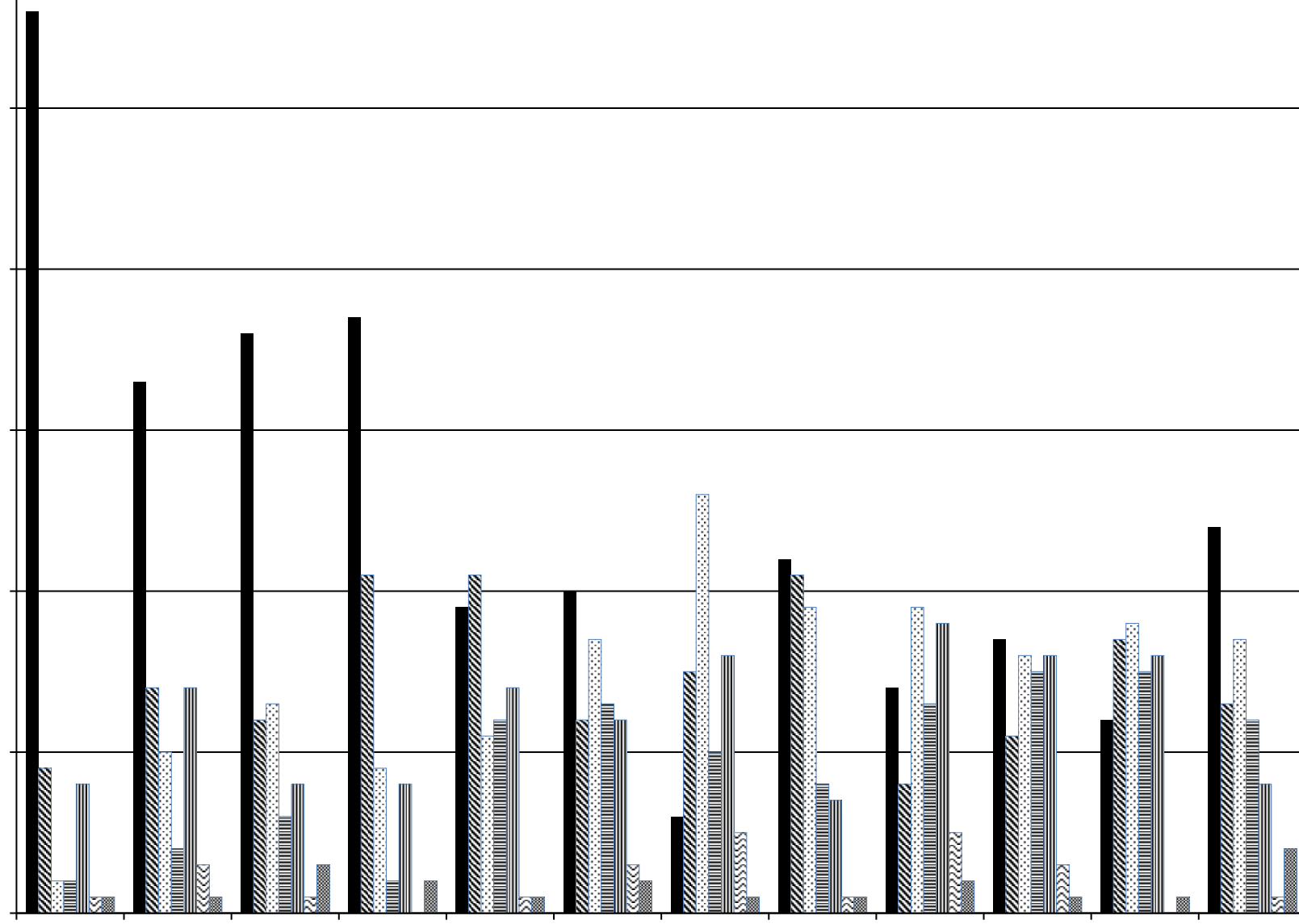
Environmental Health

Benefits

Housing service

Public car parks

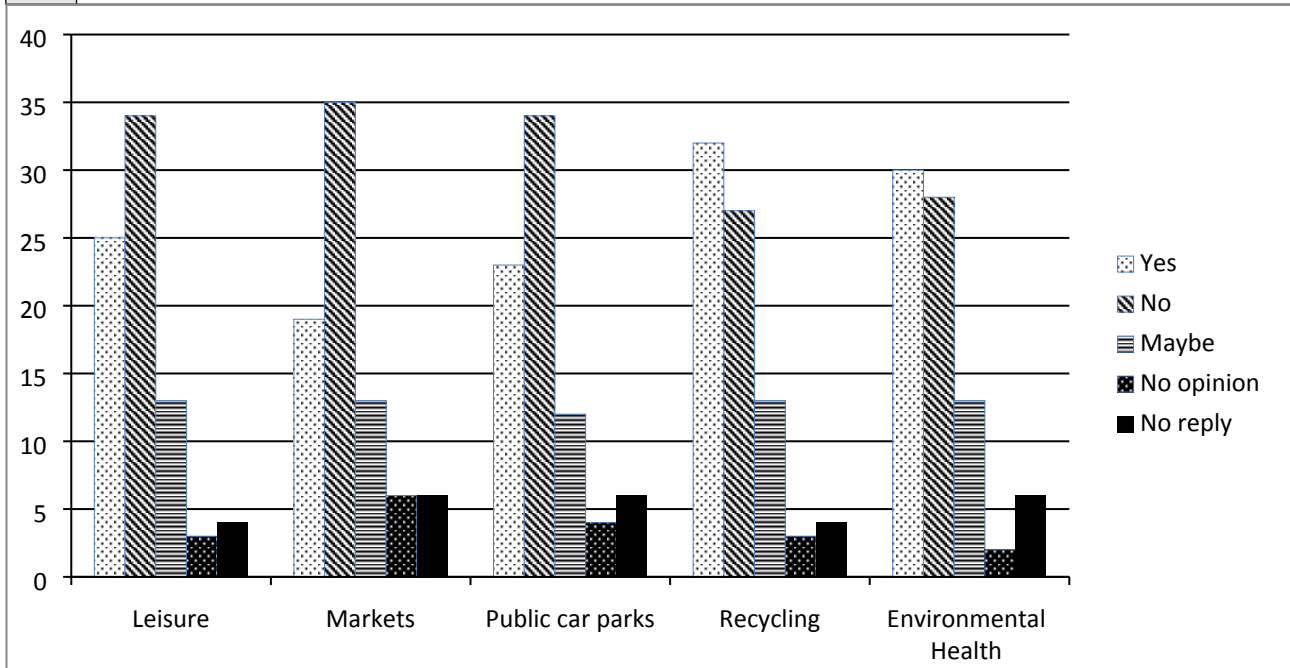
Community safety



	Please expand your answer further if necessary:
	16 responses received

Q5	Would you support an increase in Council Tax by 2% to maintain the current level of investment in council service?	
	38 (48.1%)	Yes
	26 (32.9%)	No
	12 (15.2%)	Maybe
	2 (2.5%)	No opinion
	1 (1.3%)	No reply
	Please expand your answer further to identify which services you would like to see any investment or no investment in:	
	29 responses received	

Q6	Would you support increasing fees and charges by 2% to facilitate investment in the following services?					
		Yes	No	Maybe	No opinion	No reply
	Leisure	25 (31.6%)	34 (43.0%)	13 (16.5%)	3 (3.8%)	4 (5.1%)
	Markets	19 (24.1%)	35 (44.3%)	13 (16.5%)	6 (7.6%)	6 (7.6%)
	Public car parks	23 (29.1%)	34 (43.0%)	12 (15.2%)	4 (5.1%)	6 (7.6%)
	Recycling	32 (40.5%)	27 (34.2%)	13 (16.5%)	3 (3.8%)	4 (5.1%)
	Environmental Health	30 (38.0%)	28 (35.4%)	13 (16.5%)	2 (2.5%)	6 (7.6%)
	Please expand your answer further if necessary:					
	17 responses received					



Q7	Are you aware that the Council Tax you pay in 2015/16, equivalent to a Band D property that is collected by Hambleton District Council, is split between the following public organisations: ~ 75% North Yorkshire County Council ~ 15% North Yorkshire Police & Crime Commissioner ~ 6% Hambleton District Council ~ 4% North Yorkshire Fire Authority	
	67 (84.8%)	Yes
	9 (11.4%)	No
	3 (3.8%)	No reply

Q8	Do you have any other suggestions on how the Council could increase income or reduce costs to support the budget?
	45 responses received

POLICY ON BALANCES AND RESERVES

1.0 BACKGROUND:

- 1.1 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 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 2016/17 budgets contain a sum of £101,210 for such inflation. An adverse variance of 1% in the assumptions made to these forms of expenditure could result in additional expenditure of £101,210.

Adequacy of interest rate assumption

- 2.2.3 The Council is currently a debt free authority but in 2016/17 the Council will borrow in order to finance the loan to Broadacres Housing Association and also the Hambleton Leisure Centre Improvement scheme. The Council's surplus funds available for investment have reduced but still generate income for the Council. The amount under investment 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 interest rate market environment remains at historically low levels with Bank Rate at 0.5%. The 2016/17 budget assumes an average of 0.85% over the year. An adverse variance of 1% in interest rates would affect investment income by approximately £59,500. 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 £18.56m in 2016/17. In 2016/17 the Localised Council Tax Support Scheme presents a particular risk to the Council's 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 £185,568.

Levels of income

2.2.5 The major income budgets (for fees and charges) in 2016/17 are those relating to:-

	£
Leisure Services	2,729,580
Development Control	785,000
Premises Development	746,450
Parking Charges	619,650
Local Taxation	179,330
Markets	171,310
Licensing	160,310
Land Charges	98,650
Environmental Services	124,600
Planning Services	56,860
Waste Collection	109,940

Total income from fees and charges is budgeted to be £5.053m in 2016/17. 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 £151,590.

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, which was available for the recent December 2015 floods. 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 Take That Step

2.11.1 The purpose of this reserve is to assist with a Lifestyle Referral service by GPs, for patients where a healthy lifestyle would improve their physical or mental condition. ***It is recommended that the purpose of the Grants Fund is maintained.***

2.13 Winter Weather Campaign

2.13.1 The purpose of this reserve is to assist with the advice and guidance relating to the issues of cold winter weather. ***It is recommended that the purpose of the Grants Fund is maintained.***

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.***