

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: COUNCIL TAX 2017/18

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 2017/18 and the policy on reserves. It also provides Members with details of the Council's formula grant funding settlement for 2017/18 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 2017/18. Council Tax had not risen for five years until 2016/17 when an increase occurred due to Central Government no longer offering a Council Tax Freeze grant due to the reduction in Local Government funding.
- 1.3 Detailed budget proposals have been considered previously on this Cabinet agenda. The Revenue Budget for 2017/18 is £7,210,600, a decrease of £600,770 from 2016/17 due to the expected income to be received from green waste charges and income generated from the interest earned on the loan to the third party Housing Association.
- 1.4 The Council Tax, the implications of the Local Government Finance Settlement and the budget for 2017/18 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 2016 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 2017/8 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 2017/18:-

- (a) for the whole Council area as 35,639.62 [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 A1. Figures will be completed when all precept amounts have been received and will be reported at Council on 21 February 2017.
- (2) That the Council has calculated the Council Tax requirement for the Council's own purposes for 2017/18 (excluding Parish precepts) as £3,545,429.40
- (3) That the following amounts be calculated for the year 2017/18 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-

Figures for Stokesley Parish Council are to be determined on 13 February 2017 and therefore the following figures will be reported at Council on 21 February 2017

- (a) **District/Parish Gross Expenditure**
£ 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)**
£ 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**
£ 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)**
£ 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**
£ 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)**
£99.48 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 will issue 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 and this will be 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 21 February 2017.

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 2017/18 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
£	£	£	£	£	£	£	£
66.32	77.37	88.43	99.48	121.59	143.69	165.80	198.96

North Yorkshire County Council – excluding Adult Social Care

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

North Yorkshire County Council – Adult Social Care

Valuation Bands

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 2017/18 (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.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 Officer)

Background papers: None

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COUNCIL TAX 2017/18**1.0 INTRODUCTION AND BACKGROUND:**

- 1.1 This paper considers the level of Council Tax for 2017/18 in the light of the Revenue Budget for 2017/18 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 2017/18 is a net total of £7,210,600 which is a decrease of £600,770 on the 2016/17 budget at £7,811,370. This is as a result of expected income to be received from green waste charges and income generated from the interest earned on the loan to the third party Housing Association.
- 2.2 The Financial Strategy demonstrates that the budget of £7,210,600 is affordable and allows 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 2017/18; 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 15 December 2016.

3.0 FORMULA GRANT SETTLEMENT AND COUNCIL TAX:

- 3.1 The Chancellor's Autumn Statement on 23 November 2016 announced that the four year funding settlement for local authorities for 2016/17 to 2019/20 was confirmed. 97% of local authorities took-up the four year settlement and 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%. For 2017/18 the reduction in core spending power is 6.2%.
- 3.2 The reduction to funding in 2017/18 was higher than anticipated due to significant changes announced to new homes bonus grant. The reduction in new homes bonus grant for this Council in 2017/18 was £308,177. In future if housing growth is less than 0.4% and the Council is not support housing growth through the local plan then no new homes bonus will be received.
- 3.3 The Local Government Finance Settlement for 2017/18 was announced on 15 December 2016 and is finalised in February 2017. The detail of the settlement for Hambleton is set out below, but in summary the Council is guaranteed to receive £4,609,450 of funding in 2017/18 from a combination of new revenue support grant, rural funding, new homes bonus grant and retained business rates. This is 3.2% lower than the amount received in 2016/17.

Detailed Funding Settlement

	2016/17 £
Hambleton District Council share of Business rates Target at 80%	10,421,188
Fixed tariff paid to the Government	(8,471,625)

Hambleton District Council Retained Business Rates Target	1,949,563
Revenue Support Grant	621,640
Rural Services Delivery Grant	504,627
New Homes Bonus	1,533,620
Total Funding Settlement	4,609,450

- 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 then 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 2017/18 is £27,254,369; this is the latest estimate from the National Non-domestic Rates Return – NNDR1.
- 3.5 The 2017/18 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 when estimating appeals this figure can have a favourable or adverse effect on the business rate income collated in a year. For 2017/18 there is a collection fund surplus of £232,424.
- 3.6 Increases in Business Rate levels are set each year by Central Government and used to be based upon the RPI figure for September, but in recent years this has been capped at 2%. In the Local Government Finance Bill 2016/17 published on 13 January 2017 gives Her Majesty's Treasury (HMT) powers to vary the multiplier in future and not necessarily by RPI or CPI. The provisional rate poundage to be applied in 2017/18 has been announced as follows:-
- Non-Domestic Rate 47.9p
 - Small Business Rate 46.6p
- 3.7 In addition for 2017/8, all businesses have been revalued and the change in the multiplier attempts to ensure that on average business are charged the same amount of business rates and the Government receives no additional income nationally. There is a transition period that is introduced for the 2017 revaluation.
- 3.8 Under Schedule 7 of the Local Government Finance Act 1988, the provisional multipliers will be confirmed after either the Local Government Finance Bill 2016/17 has been approved by Parliament or by the end of March 2017.

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 15 January each year.

4.2 The Council Tax Base for 2017/18 is set at 35,639.62.

Council Tax Levels

4.3 If the assumptions made above are current then the 2017/18 Council Tax at Band D will be:-

2016/17 £		2017/18 £	Assumption
1,121.86	County Council (NYCC)	TBC	TBC increase
22.00	NYCC – Adult Social Care	TBC	TBC increase
217.00	Police Authority	TBC	TBC increase
65.88	Fire Authority	TBC	TBC increase
37.93	Parishes (average)	TBC	TBC increase
99.48	Hambleton	99.48	£5 increase
1,559.15			

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:	7,210,600
Financed by:-	
Formula Grant	621,640
New Homes Bonus Grant	1,533,620
Retained Business Rates	2,297,690
Collection Fund Surplus	241,214
Council Tax	3,545,429
Rural service Delivery Grant	504,627
Contribution to Reserves	<u>(1, 533,620)</u>
Balanced budget	0

5.2 It is estimated that the Council will make a contribution to the Council Taxpayers reserve of £1,533,620 to balance the 2017/18 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.