

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: COUNCIL TAX 2018/19

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 2018/19 and the policy on reserves. It also provides Members with details of the Council's formula grant funding settlement for 2018/19 and the Business Rates' target for the retained business rates scheme, 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 2018/19. Council tax did not rise for five years up to 2016/17 as a result of Central Government offering a Council Tax Freeze Grant; however due to the reduction in local government funding this is no longer viable.
- 1.3 Detailed budget proposals have been considered previously on this Cabinet agenda. The Revenue Budget for 2018/19 is £8,096,170; an increase of £885,570 from 2017/18 where the increase relates to a rise in salaries across the organisation. This is two-fold where the 'national employer' offer across all local authorities has suggested increasing salaries by 2% whilst ensuring those on lower wages receive the national living wage and due to pressures that have arisen in Departments during 2017/18 new posts have been introduced for service delivery and to enable the council to continue to generate other sources of income; these measures support the financial strategy.
- 1.4 The Council Tax, the implications of the Local Government finance settlement and the budget for 2018/19 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 September and December 2017 where aims to balance the various needs of the Council and all its stakeholders to produce a soundly based financial plan for the future were reviewed. The budget consultation process 2018/19 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 Hambleton District Council calculated the Council Tax Base for 2018/19:-

- (a) for the whole Council area as 36,033.05 [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 2018/19 (excluding Parish precepts) as £3,764,733.06

(3) That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-

(a) District/Parish Gross Expenditure

£48,371,737.76

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)

£43,153,866.94

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

£5,217,870.82

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)

£144.8079

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

£1,453,137.76

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)

£104.4800

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 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 27 February 2018.

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 2018/19 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
£	£	£	£	£	£	£	£
69.65	81.26	92.87	104.48	127.70	150.92	174.13	208.96

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
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£ £ £ £ £ £ £ £

(6) **Excessive Council Tax**

That the Council determines that the Council's basic amount of Council Tax for 2018/19 (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.

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DIRECTOR OF FINANCE (S151 Officer)

Background papers: None

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COUNCIL TAX 2018/19

1.0 INTRODUCTION AND BACKGROUND:

1.1 This paper considers the level of Council Tax for 2018/19 in the light of the Revenue Budget for 2018/19 and Financial Strategy, as well as the Government's four year funding settlement, the business rates retention scheme, 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 2018/19 is a net total of £8,096,170 which is an increase of £885,570 on the 2017/18 budget at £7,210,600. The increase mainly relates to a rise in salaries across the organisation. This is two-fold where the 'national employer' offer across all local authorities has suggested increasing salaries by 2% whilst ensuring those on lower wages receive the national living wage and due to pressures that have arisen in Departments during 2017/18 new posts have been introduced for service delivery and to enable the council to continue to generate other sources of income to support the financial strategy.

2.2 The Financial Strategy demonstrates that the budget of £8,096,170 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 ability of the Council to generate income from new opportunities, along with the level of Council Tax and Business Rates forecast for 2018/19.

3.0 FOUR YEAR FUNDING SETTLEMENT AND BUSINESS RATES:

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 For 2018/19 the reduction in core spending power (which includes revenue support grant, rural services delivery grant, new homes bonus and Council Tax) is 0.38% which was mainly due to the significant fall in revenue support grant which is offset by the increase in Council tax and the increase in the number of properties in the district.

3.3 The reduction to funding in 2018/19 was smaller than anticipated due to the Government maintaining the rural services delivery grant at the same level as it was in 2017/18 preventing a funding fall of £116,452 and also the methodology in the new homes bonus calculation remaining the same as in 2017/18 resulting in greater income being received than expected of £361,614. It is expected that 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.

- 3.4 The Local Government Finance Settlement for 2018/19 was announced on 19 December 2017 and is finalised early in February 2018. The detail of the settlement for Hambleton is set out below, but in summary the Council is guaranteed to receive £4,421,039 of funding in 2018/19 from a combination of revenue support grant, rural services delivery grant, new homes bonus grant and retained business rates. This is 4.0% lower than the amount received in 2017/18.

Detailed Funding Settlement

	2018/19 £
Hambleton District Council share of Business rates Target at 80%	10,735,126
Fixed tariff paid to the Government	(8,730,818)
Hambleton District Council Retained Business Rates Target	2,004,308
Revenue Support Grant	370,277
Rural Services Delivery Grant	504,627
New Homes Bonus	1,541,827
Total Funding Settlement	4,421,039

- 3.5 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.
- 3.6 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 2018/19 is £28,000,872; this is the latest estimate from the National Non-domestic Rates Return 1 (NNDR1) which is calculated by 31 January 2018.
- 3.7 The 2018/19 budget has been set using the actual Retained 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; this is estimated at £2,904,160. Under the Business Rate Retention System, 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. For 2018/19 there is a collection fund surplus of £76,218.
- 3.8 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 was capped at 2%. In the Local Government Finance Bill 2016/17 published on 13 January 2017 Her Majesty's Treasury (HMT) were given powers to vary the business rate multiplier in future. In the Chancellor's budget in November 2017 the business rate multiplier was 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 2018/19 has been announced as follows:-

- Non-Domestic Rate 49.3p
- Small Business Rate 48.0p

3.9 In addition, 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. A combination of all these factors will result in the Council getting lower business rate growth and income. The transition for these measurers will be supported by the Government.

4.0 INCOME GENERATING REVENUE STREAMS:

4.1 In 2018/19, 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 2018/19 budget or the position on Council Tax 2018/19 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 2018/19 is set at 36,033.05.

Council Tax Levels

5.3 If the assumptions made above are current then the 2018/19 Council Tax at Band D will be:-

2017/18 £		2018/19 £	Assumption
1,144.62	County Council (NYCC)	TBC	TBC increase
44.88	NYCC – Adult Social Care	TBC	TBC increase
221.32	Police Authority	TBC	TBC increase
67.19	Fire Authority	TBC	TBC increase
39.30	Parishes (average)	40.33	Parishes (average)
<u>99.48</u>	Hambleton	<u>104.48</u>	£5 increase
1,616.79			

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:	8,096,170
Financed by:-	
Revenue Support Grant	370,277
Rural service Delivery Grant	504,627
New Homes Bonus Grant	1,541,827
Retained Business Rates	3,210,965
Collection Fund Surplus	90,238
Council Tax	3,764,733
Contribution to Reserves	<u>1,386,497</u>
Balanced budget	0

6.2 It is estimated that the Council will make a contribution to reserves – specifically the Council Taxpayers reserve - of £1,386,497 to balance the 2018/19 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 2018/19 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.