

COUNCIL TAX 2020/21**1.0 INTRODUCTION AND BACKGROUND:**

- 1.1 This paper considers the level of Council Tax for 2020/21 in the light of the Revenue Budget for 2020/21 and Financial Strategy, as well as the Government's 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 2020/21 is a net total of £9,269,670 which is an increase of £183,800 on the 2019/20 budget at £9,085,870. The increase in the budget mainly relates to an increase in salaries across the organisation. It is estimated that the 'national employer' offer across all local authorities will increase by 2.5% in 2020/21. Other increases to the 2020/21 expenditure budget have occurred in line with inflation and the overall net budget increase is estimated at 2%. These other increases are not apparent in the overall net budget rise from 2019/20 because these costs are negated by estimated increases in planning fees and income to be generated from projects as detailed in the Council Plan. The review of the plans to generate other sources of income, for the future sustainability of the financial strategy, is ongoing.
- 2.2 The Financial Strategy demonstrates that the budget of £9,269,670 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 funding settlement, the business rates retention scheme and the ability of the Council to generate income from new opportunities, along with the level of Council Tax and Business Rates forecast for 2020/21.

3.0 LOCAL GOVERNMENT FUNDING SETTLEMENT AND BUSINESS RATES:

- 3.1 Financial austerity claimed by the Government to be over in September 2019 in the Chancellors statement has seen the grant funding from the Government's Settlement Funding Assessment to Local Authorities (a combination of the level of revenue support grant and rural service delivery grant received along with the expected business rates to be achieved) increased overall by 1.6%. This is the first increase in the Settlement Funding Assessment in over a decade. Over the last five years however, since the start of the four year funding assessment in 2016/17, the cut in the Settlement Funding Assessment has been 30.1% in cash terms, with the increase in 2020/21 changing the direction of travel but not replacing the massive cuts that have occurred in local government funding.
- 3.2 The Local Government Finance Settlement 2020/21 announced on 19 December 2019 was broadly in line with what was expected. Overall Core Spending Power nationally is expected to increase by 6.3% in 2020/21, the highest increase in over a decade. Core Spending Power nationally has been increasing in cash terms since 2017/18, reflecting the lower cuts in Settlement Funding Assessment and the increases in council tax (particularly adult social care precept). This is the first real-terms increase in Core Spending Power nationally since 2010.
- 3.3 The Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax. It reflects the impact of changes on local authority budgets. For this District Council the Core Spending Power includes:
- Settlement Funding Assessment – revenue support grant, rural services delivery grant and business rate;
 - New homes bonus;
 - Council Tax

- 3.4 The Core Spending Power for the Council in 2020/21 has increased by 0.71% from 2019/20 due to the increase in Council tax and the increase in the number of properties in the district. The settlement Funding Assessment (revenue support grant, rural services grant and business rates) along with new homes bonus grant from Government has decreased by 2.57%.
- 3.5 The detail of the Local government Finance Settlement is set out below and in summary the Council would be guaranteed to receive £4,438,3335 of funding in 2019/20 from a combination of revenue support grant, rural services delivery grant, new homes bonus grant and retained business rates
- 3.6 With regards to Business rates, the Government did not provide a progress update within the Settlement on the Fair Funding Review (the Review of Relative Needs and Resources of Councils and the potential change in the way funding is allocated) or further business rates retention. With implementation scheduled for April 2021, it is crucial for local authority financial planning that the Government provides early exemplifications and consults on proposals for reform and provides certainty to councils as soon as possible, preferably by the time of the final 2020/21 local government finance settlement (December 2020).
- 3.7 The Government did announce that there are no new business rates pilots in 2020/21 and therefore the North and West Yorkshire 75% pilot pool which was for one year in 2019/20 will finish 31 March 2020. As a result, these pilot pools return to the rules governing 50% retention where this Council has been a member of the North Yorkshire 50% pool from 2013/14 to 2018/19 which included Scarborough, Ryedale, Richmondshire, Craven and North Yorkshire.
- 3.8 For 2020/21, there is a further one year position where it remains beneficial for the Council to continue to be a member of a business rate pool. The Government confirmed on 19 December 2019 that the application of the North and West Yorkshire Pool submitted on 25 October 2019 was successful and therefore the Council is included in this pool where the pool reverts back to 50%. This is a hybrid pool model with all the North and West Yorkshire authorities, excluding Selby, where the two predecessor Pools distribute the funding retained in their own areas, within their own region, using the methodologies they each applied in 2018/19. This model ensures that authorities are no worse off in this North and West Yorkshire Pool, than they would be in a pre-2019/20 pilot pool.
- 3.9 The table below shows the Funding Settlement and compares this to the funding to be received from the 50% Business Rate Retention Scheme pool. This highlights that the funding to be received from the 50% pool is increased from business rates growth which the Council, along with other local authorities in the pool, will be able to keep. This is explained further in the paragraphs below.

Detailed Government Funding Settlement and 50% Business Rate Retention Scheme

| | Funding Settlement | 50% Business Rate Retention Scheme Pilot |
|--|---------------------------|---|
| | 2020/21 | 2020/21 |
| | £ | £ |
| Hambleton District Council share of Business rates Target at 80% | 11,164,034 | 11,529,028 |
| Fixed tariff paid to the Government | -9,076,412 | -9,076,412 |
| Hambleton District Council Retained Business | 2,087,622 | 2,452,616 |

| | | |
|---------------------------------|------------------|------------------|
| Rates Target | | |
| Revenue Support Grant | 90,969 | 90,969 |
| Rural Services Delivery Grant | 628,843 | 628,843 |
| New Homes Bonus | 1,630,901 | 1,630,901 |
| Total Funding Settlement | 4,438,335 | 4,803,329 |

- 3.10 The 50% Business Rate Retention Scheme pool funding mechanism has with it inherent risk for Local Government, which the Council has accepted having been a member of the 50% pool scheme with other North Yorkshire councils between 2013/14 and 2018/19. The year 2019/20 saw North and West Yorkshire piloting business rates for the Government's 75% scheme which provided increased funding again, however this scheme ceases at the end of 31 March 2020 as the Government no longer offered this pilot. Principally the risk, in the 50% pool scheme, is if the Business Rate target set for the Council by Government is not met then the reduction in Business Rates will reduce the local share received, 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.
- 3.11 An aspect of the regulations in respect of the Business Rate Retention Scheme is that councils set the Business Rates base figure and reported it to government in the preceding year. The Government then uses this every year to set the Business Rates Collection Target for the Council as seen in the table above. The total Business Rates Base figure for 2020/21 is £28,822,571; these Business Rates are then contributed to the 50% Business Rate pool scheme, along with the other councils collected business rates. This is then distributed out on a calculated basis so all Council's in the pilot benefit.
- 3.12 The funding of the 2020/21 budget has been set using the actual Retained Business Rate target from the NNDR1 return, completed on 31 January 2020, rather than that presented in the table above because the NNDR 1 figure is a timelier and more accurate reflection of the amount the Council is likely to receive and is connected to the expected business rate growth from the pool; this is estimated at £3,668,073.
- 3.10 Under the 50% Business Rate Retention Scheme pool, Business Rate appeals lodged by organisations in Hambleton also have a direct impact on the Council. Therefore when estimating appeals this figure can have a favourable or adverse effect on the business rate income collated in a year; this is taken into account when estimating the amount of business rate funding to be received in any one year. In addition, for 2020/21 there is also a collection fund deficit of £4,259.
- 3.13 Increases in Business Rate levels are set each year by Central Government where the business rate multiplier is updated using the September Consumer prices Index (CPI) rather than Retail Prices Index (RPI) from April 2018 onwards. Therefore the provisional rate poundage to be applied in 2020/21 has been announced as follows:-
- Non-Domestic Rate 51.2p
 - Small Business Rate 49.9p
- 3.14 Finally, it should be noted that further changes to business rates were made in 2017/18 where on 1 April 2017 all businesses were revalued and at the same time the Valuation Office Agency changed the methodology in which appeals against business rate valuations were made. The transition for these measurers will be supported by the Government, however the introduction of the Check, Challenge and Appeal process from 1 April 2018 from businesses querying the rateable value of their business and the limited number of appeals currently being processed continues to have an effect of uncertainty on business rate estimates. For 2020/21, a combination of all these factors, in the previous paragraphs,

will result in the Council potentially getting lower business rate growth and income tax estimated; the position will be monitored.

4.0 INCOME GENERATING REVENUE STREAMS:

4.1 In 2020/21, 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 includes the net income to be generated from the development of the Treadmills site in Northallerton and the Commercial Property Investment portfolio and this is within the 2020/21 budget. Further work is ongoing to generate to support Council services and plans are in place to ensure the Council's future level of reserves are maintained.

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 2020/21 is set at 37,256.42

Council Tax Levels

5.3 If the assumptions made above are current then the 2020/21 Council Tax at Band D will be:-

| 2019/20 £ | | 2019/20 £ | Assumption |
|------------------|-----------------------------|------------------|--------------------|
| 1,180.18 | County Council (NYCC) | TBC | TBC increase |
| 68.67 | NYCC – Adult Social Care | TBC | TBC increase |
| 232.82 | Police & Crime Commissioner | TBC | TBC increase |
| 69.20 | Fire Authority | TBC | TBC increase |
| 40.77 | Parishes (average) | 41.70 | Parishes (average) |
| <u>109.48</u> | Hambleton | <u>114.48</u> | £5 increase |
| 1,695.68 | | | |

6.0 IMPACT ON RESERVES:

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

| | £ |
|-------------------------------------|------------------|
| Revenue Budget: | 9,269,670 |
| Financed by:- | |
| New Homes Bonus Grant | 1,630,901 |
| Revenue Support Grant | 90,969 |
| Rural Service Delivery Grant | 628,843 |
| Retained Business Rates | 3,668,073 |
| Collection Fund (Deficit) / Surplus | (17,441) |
| Council Tax | 4,265,115 |
| Contribution (to) /from Reserves | <u>(996,790)</u> |
| Balanced budget | 0 |

- 6.2 It is estimated that the Council will make a contribution to reserves – specifically the Council Taxpayers reserve - of £996,790 to balance the 2020/21 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 2020/21 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.

