

COUNCIL
21 FEBRUARY 2018

COUNCIL TAX RESOLUTION 2018/19

Cabinet Member: Cllr Peter Hare-Scott
Responsible Officer: Andrew Jarrett - Director of Finance Assets & Resources

Reason for Report: The Council as a billing authority is required to set the Council Tax for 2018/19.

RECOMMENDATION: To approve the formal Council Tax Resolution.

Relationship to Corporate Plan: The 2018/19 budget shows the costs of delivering the key priorities of the Council's Corporate Plan.

Financial Implications: This report sets out the Council's Council Tax Requirement for 2018/19 which is derived from its aggregate budget requirement which was finally recommended by Cabinet on the 1 February 2018.

Legal Implications: The Council has a statutory duty to approve a Council Tax Requirement.

Risk Assessment: The Council is required under the Local Government Finance Act 1992 to set a Council Tax.

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil.

1.0 Introduction

- 1.1 The introduction of the Localism Act has seen some minor amendments to the legislative process of approving a Council Tax Requirement and has also removed the formal capping rules. These capping rules have now been replaced by a range of maximum percentage increases based upon the relevant precepting body, which if exceeded, could result in a local referendum (this limit was provisionally confirmed as part of the overall grant settlement announcement made in late December 2017), the additional flexibility this gives has been increased to a maximum of 3% or a £5 cash increase whichever is higher on a Band D bill for District Councils.
- 1.2 In addition to the Council Tax levels permissible for a District Council, Central Government has also increased the referendum limit for County Councils to 3% with the additional flexibility for those with Adult Social Care responsibilities to allow a further increase of 3% as long as it ring-fences the income specifically for expenditure in that area. Fire Authorities also have the increased 3% referendum limit, whereas Police and Crime Commissioners are able to increase a Band D bill by £12.

- 1.3 Within this Resolution the billing authority has to indicate whether any of the major precepting bodies have exceeded their specified limit (see Appendix A paragraph 6.0).

2.0 2018/19 Council Tax Resolution

- 2.1 Since the meeting of the Cabinet on the 1 February 2018 the precept levels of other precepting bodies have been received. These are detailed below:

Town and Parish Councils

The Town and Parish Councils precepts for 2018/19 are detailed in Appendix A, paragraph 3.1, and total £1,538,844. The increase in the average Band D Council Tax for Town and Parish Councils is 7.70% and results in an average Band D Council Tax figure of £54.38 for 2018/19 (£50.49 for 2017/18). These figures are all based on the net precepts received from the Town and Parish Councils. (i.e. after deducting the Council Tax Reduction (CTR) grant that is passed on from the District Council even though this specific grant is no longer separately identified in the MDDC formula grant settlement). 2018/19 will be the final year that this grant will be awarded as it has been reduced in line with our RSG grant which will reduce to zero for 2019/20.

Devon County Council

Devon County Council met on the 15 February 2018 and set their precept at £37,669,669 adjusted by a Collection Fund surplus of £264,012. This results in a Band D Council Tax of £1,331.19, a 4.99% increase on the previous year. This precept includes the additional 2% Adult Social Care premium introduced by Central Government for 2017/18.

Devon & Cornwall Police & Crime Commissioner

Devon & Cornwall Police & Crime Commissioner met on the 2 February 2018 and set their precept at £5,327,898, adjusted by a Collection Fund surplus of £36,706. This results in a Band D Council Tax of £188.28, being a 6.81% increase on the previous year.

Devon and Somerset Fire & Rescue Authority

Devon and Somerset Fire & Rescue Authority met on the 16 February 2018 and set their precept at £2,377,293 adjusted by a Collection Fund surplus of £16,985. This results in a Band D Council Tax of £84.01, being a 2.99% increase on the previous year.

- 2.2 The recommendations of the Cabinet are set out in the formal Council Tax Resolution in Appendix A. If the formal Council Tax Resolution at Appendix A is approved, the total Band D Council Tax will be as follows:

Table 1 – Council Tax Levies in Mid Devon

Council Tax Levies	2017/18 £	2018/19 £	Variation % (1)
Mid Devon District Council	192.15	197.91	3.00
Parish & Town Councils (Average)	50.49	54.38	7.70
Sub Total	242.64	252.29	
Devon County Council	1,267.92	1,331.19	4.99 (includes 2% for ASC)
Devon & Cornwall Police & Crime Commissioner	176.28	188.28	6.81
Devon & Somerset Fire & Rescue Authority	81.57	84.01	2.99
TOTAL	1,768.41	1,855.77	

(1) Note - rounded to 2 decimal places. MDDC increase is 2.998%

3.0 2018/19 General Fund Budget

- 3.1 On the 1 February 2018 the Cabinet considered the budget for the financial year 2018/19 which included our final settlement for Formula Grant as confirmed by the Secretary of State. This meeting recommended a balanced General Fund budget and a 2.998% increase in Council Tax (as detailed in table 1 in para 2.2 above).
- 3.2 Precepts from the Town and Parish Councils within Mid Devon have now all been received and their gross total is confirmed as £1,555,699 (£1,454,290 for 2017/18). Please note the Parish Precepts have been reduced by a share of the CTR grant passed on by MDDC of £16,854 (£46,768 for 2017/18); therefore leaving £1,538,844 (£1,555,699 - £16,854 (subject to rounding)) net precept to be generated through Council Tax.
- 3.3 In making decisions in relation to the setting of Council Tax, the Local Government Act 2003 requires the Chief Financial Officer of the Council to report to it on the robustness of the estimates and the adequacy of the financial reserves. This statement is presented in the following sections of this report.

4.0 Section 151 Officer's Report

- 4.1 The Local Government Act 2003 imposes a duty on the Council's Section 151 Officer to comment, as part of the budget setting process, on:
- The robustness of the estimates, and
 - The adequacy of reserves

5.0 Robustness of the estimates

- 5.1 The estimate process adopted by the Council for 2018/19 is concerned with the mitigation of risk when approving the budget.
- 5.2 Construction of the estimates for 2018/19 has taken full account of the following:
- a. Previous years outturn
 - b. Current year revised estimates
 - c. Regular budget monitoring up to and including December 2017
 - d. Inflation levels
 - e. Current income levels
 - f. Changes in legislation
 - g. Service prioritisation linked to the current Corporate Plan
 - h. Feedback from Budget Consultation
 - i. Known and unknown changes to RSG, NHB and Business Rates (including the Fair Funding Review)
- 5.3 Budget monitoring throughout 2017/18 has informed the forward year budget process. In particular regular reviews of income streams and expenditure patterns at variance with profiles of expected activity are identified at the earliest opportunity to Members and officers so that corrective action can be initiated.
- 5.4 The Council has sought to involve all Members throughout the budget setting process. An initial budget gap of circa £750k was estimated for 2018/19; mainly as a consequence of further Government grant reductions of £493k. Other contributing factors include normal pay and price inflation, increases to pension contribution rates and further reductions to specific grants received from central government. This estimated budget gap was reduced by a number of operational service savings or increased income totalling circa £380k and increased income from Council Tax of £212k. The first round of PDG and Cabinet meetings in October/November discussed an overall budget gap of £617k. This process gave all Members the opportunity to challenge and review all draft budget proposals and also recommend where further savings could be made.
- 5.5 All budgets were compiled on a prudent basis, bearing in mind the level of risk associated with certain income sources (e.g. car parking, planning, leisure and interest receipts). We also have increased volatility and risk in the Council's overall budget (i.e. the Council Tax Reduction scheme (CTR), the localisation of Business Rates and our commercial rental portfolio). These budgets have been carefully monitored during 2017/18 and this process will continue during 2018/19.
- 5.6 The Finance Team have liaised with all Service Managers, Senior Management and Members during this process and have ensured a robust challenge process of all proposed budgets. Two additional all member budget briefings were arranged and a meeting with the Business Rates Consultative Committee was also held in January.
- 5.7 In all respects the estimates are prepared on the best information available. We review current experience, for example, the estimates of income have been rebased, especially where the income stream is demand led. In a similar way all salary estimates have been constructed on an individual officer basis because this element of the budget is such a significant expenditure heading.

- 5.8 Finally, in preparing the detailed estimates the Council takes advice from third party organisations concerning a number of discrete areas. In particular Treasury Management decisions are informed with reference to interest rate movements forecast by Capita and similarly external guidance on insurance and pension contributions is also used.
- 5.9 Once the draft budget has been reviewed by the four PDGs and the Cabinet it is then taken to the Scrutiny Committee for further review and challenge, prior to a final Cabinet meeting which has recommended the budget for approval by Full Council on 21 February.
- 5.10 The key component for ensuring the estimates are reviewed and deliver the priorities of the Council is the budget monitoring process. The ability to manage and control spending within the approved budgets during the course of the forward year mitigates the Council's level of financial risk.

6.0 Adequacy of Reserves

- 6.1 Reserves are held for three main purposes:
- a. A contingency to cushion the impact of unexpected events
 - b. As a cushion against uneven cash flows
 - c. As a means of building up funds to meet known or predicted liabilities (earmarked reserves)
- 6.2 CIPFA makes it clear that the level of reserves for each Council cannot be decided by the application of a formula. Each Council must assess their own reserve levels based on the specific risks and pressures they face.
- 6.3 The General Fund balance brought forward into 2017/18 amounted to £2.24m. The 2017/18 budget monitoring reports are predicting a year end deficit of approximately £182k, giving a forecast General Fund balance of £2.06m.
- 6.4 We received the final approved Grant Settlement on 8 February 2018. However current complications surrounding the Fairer Funding Review, the move to 100% Business Rates, negative RSG figures provided for 2019/20 and only 1 years certainty that New Homes Bonus will not be revisited puts local government funding in the medium term in a very uncertain environment.
- 6.5 Therefore, it is my strong recommendation that the Council maintain its level of reserves at 25% of our operational spend moving into 2018/19 (e.g. £8,868m * 25% = £2.217m).

7.0 Conclusion

- 7.1 As noted above a great deal of work has been carried out to ensure the robustness of the estimates. Because of this work, combined with the increased awareness by Members and officers of the Council's financial position, and the availability of reserves, it is my considered opinion as Section 151 Officer that the budget for 2018/19 has been set within a robust framework and the impact of this resolution will maintain an adequate level of the financial reserves held by the Council.

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Background Papers: Cabinet Report – 01 February 2018

Circulation of Report: Full Council