

**COUNCIL
27 FEBRUARY 2019**

COUNCIL TAX RESOLUTION 2019/20

Cabinet Member: Cllr Peter Hare-Scott
Responsible Officer: Andrew Jarrett – Deputy Chief Executive (S151)

Reason for Report: The Council as a billing authority is required to set the Council Tax for 2019/20.

RECOMMENDATION: To approve the formal Council Tax Resolution.

Relationship to Corporate Plan: The 2019/20 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 2019/20 which is derived from its aggregate budget requirement which was finally recommended by Cabinet on the 7 February 2019.

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 These capping rules have now been replaced by a range of maximum percentage increases based upon the relevant precepting body, which if exceeded, would result in the need for a local referendum (this limit was provisionally confirmed as part of the overall grant settlement announcement made in late December 2018), 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 2% (on condition that their use of the additional Adult Social Care precept flexibility does not exceed a total of 6% for 2017-18, 2018-19 and 2019-20. These additional funds have to be ring-fenced for Adult Social Care costs. Fire Authorities also

have the increased 3% referendum limit, whereas Police and Crime Commissioners are able to increase a Band D bill by £24.

- 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 2019/20 Council Tax Resolution

- 2.1 Since the meeting of the Cabinet on the 7 February 2019 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 2019/20 are detailed in Appendix A, paragraph 3.1, and total £1,714,992.66. The increase in the average Band D Council Tax for Town and Parish Councils is 10.28% and results in an average Band D Council Tax figure of £59.97 for 2019/20 (£54.38 for 2018/19). These figures are all based on the total precepts received from the Town and Parish Councils. (2018/19 was the final year that the CTR grant was awarded as it has been reduced in line with our RSG grant which has reduced to zero for 2019/20).

Devon County Council

Devon County Council met on the 21 February 2019 and set their precept at £39,585,807 adjusted by a Collection Fund surplus of £376,372. This results in a Band D Council Tax of £1,384.29, a 3.99% increase on the previous year. This precept includes additional 1% Adult Social Care premium (introduced by Central Government in 2017/18, 6% max over 3 years).

Devon & Cornwall Police & Crime Commissioner

Devon & Cornwall Police & Crime Commissioner met on the 8 February 2019 and set their precept at £6,070,459 adjusted by a Collection Fund surplus of £53,233. This results in a Band D Council Tax of £212.28, being a 12.75% increase on the previous year.

Devon and Somerset Fire & Rescue Authority

Devon and Somerset Fire & Rescue Authority met on the 19 February 2019 and set their precept at £2,474,167 adjusted by a Collection Fund surplus of £23,752. This results in a Band D Council Tax of £86.52, 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	2018/19 £	2019/20 £	Variation % (1)
Mid Devon District Council	197.91	203.84	3.00
Parish & Town Councils (Average)	54.38	59.97	10.28
Sub Total	252.29	263.81	
Devon County Council	1,331.19	1,384.29	(includes 1% for ASC) 3.99
Devon & Cornwall Police & Crime Commissioner	188.28	212.28	12.75
Devon & Somerset Fire & Rescue Authority	84.01	86.52	2.99
TOTAL	1,855.77	1,946.90	

(1) Note - rounded to 2 decimal places. MDDC increase is 2.996%

3.0 2019/20 General Fund Budget

- 3.1 On the 7 February 2019 the Cabinet considered the budget for the financial year 2019/20 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 2.996% 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 total is confirmed as £1,714,992.66 (£1,555,699 for 2018/19).
- 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 2019/20 is concerned with the mitigation of risk when approving the budget.
- 5.2 Construction of the estimates for 2019/20 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 2018
 - 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. Changes to RSG, NHB and Business Rates.

NB. The possible implications of the 2020/21 Fair Funding Review are not yet known.

- 5.3 Budget monitoring throughout 2018/19 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. The first round of PDG and Cabinet meetings in October/November took place and an initial budget gap of circa £662k was estimated for 2019/20. This was as a result of a number of factors including inflation; the new National pay scales and; reduction in Revenue Support Grant. This process gave all Members the opportunity to challenge and review all draft budget proposals and also recommend where further savings could be made. Further savings were proposed and following the receipt of the Final Settlement from Central Government and the completion of our Business Rates estimates (NNDR1) the budget gap was reduced to £253k. This is proposed to be closed by a temporary transfer from the New Homes Bonus Reserve.
- 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 2018/19 and this process will continue during 2019/20.
- 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 27 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 2018/19 amounted to £2.241m. The 2018/19 budget monitoring reports are predicting a year end deficit of approximately £65k, giving a forecast General Fund balance of £2.176m.
- 6.4 We received the Final Grant Settlement on 29 January 2019. There remains, however, a great deal of uncertainty over the levels of Government funding with the proposed changes to Business Rates Retention which are still unclear, the removal of RSG and whether this figure actually becomes negative (we would owe money to the Government); the new mechanism for the allocation of New Homes Bonus Grant which is concerning and; the Fair Funding Review which is due to be delivered for 2020/21.
- 6.5 Therefore, it is my strong recommendation that the Council aims to maintain its level of reserves at 25% of our operational spend moving into 2019/20 (e.g. £10.179m * 25% = £2.545m).

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 2019/20 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 – 07 February 2019

Circulation of Report: Full Council