

## **Gravesham Borough Council**

**Report to:** Council  
**Date:** 27 February 2018  
**Reporting officer:** Director (Corporate Services)  
**Subject:** Council Tax Setting 2018-19

### **Purpose and summary of report:**

To consider a resolution to determine the Council Tax to be levied for 2018-19.

### **Recommendations:**

It is recommended that:

1. the Council considers the budget proposals in conjunction with this council tax report, and approves this council's tax resolution as per Appendix 2;
2. the Council ratify the attached Council Tax Base as identified in Appendix 3;
3. Members note the Budget Book for Gravesham Borough Council, subject to final minor editing, as at Appendix 4.
4. Members note the General Fund Budget Requirement for 2018-19 of £12,622,790 as set out in the Medium Term Financial Plan in Appendix 5.

## **1. Introduction**

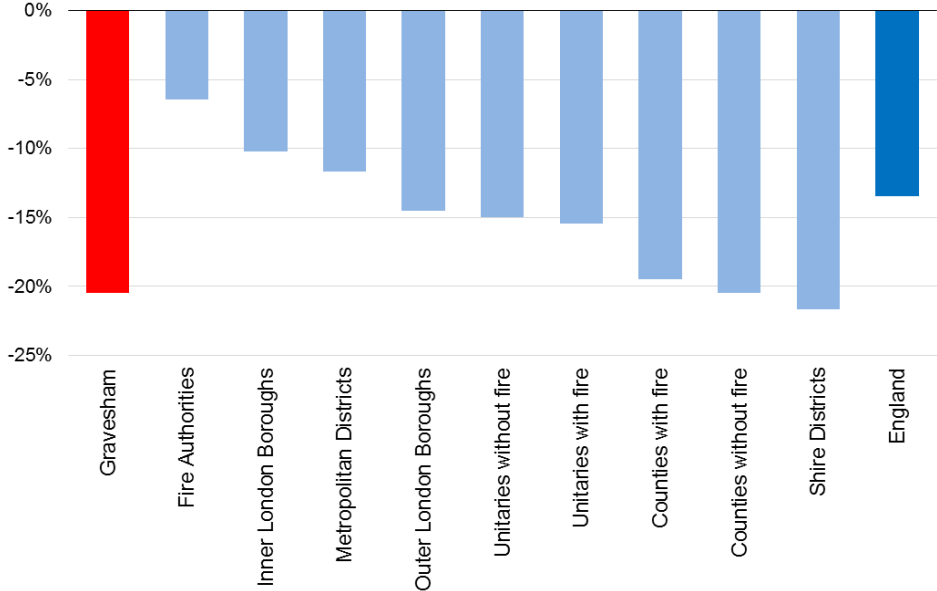
The council has a statutory duty to set the level of council tax and calculate the budget for the forthcoming financial year by 11 March. In undertaking this duty the Constitution of the council requires Full Council to consider the budget proposals developed by the Cabinet. However, ultimately it is the Full Council's decision and, therefore, it may adopt those proposals, amend them or substitute its own in their place.

## **2. Considerations for the General Fund Budget and Council Tax 2018-19**

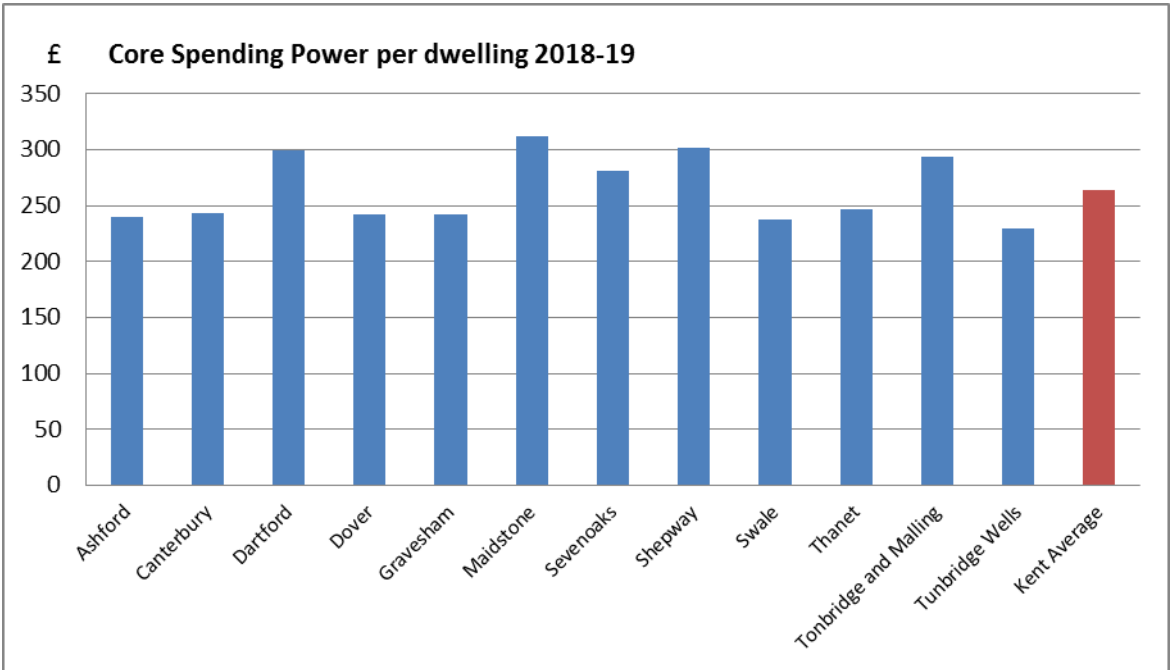
- 2.1 On 5 February 2018, Cabinet considered the draft General Fund revenue and capital estimates for the year 2018-19. As part of this, Cabinet considered the report from the Director (Corporate Services) concluding on the robustness of the estimates prepared and the level of reserves. The same report was considered by Overview Scrutiny on 15 February 2018.

- 2.2 On 6 February 2018 the Ministry of Housing, Communities and Local Government published a written statement from Rt. Hon. Sajid Javid MP, on the Final Local Government Finance Settlement for 2018-19. This confirmed the Government’s continued reduction of the total Local Government Settlement Funding Assessment for England, with overall funding for 2017-18 reducing by 5.37% compared to funding available in 2017-18.
- 2.3 The graph below shows the cumulative change in SFA by class of authority over the settlement period and demonstrates that Shire Districts, including Gravesham, continue to be hardest hit by government funding reductions.

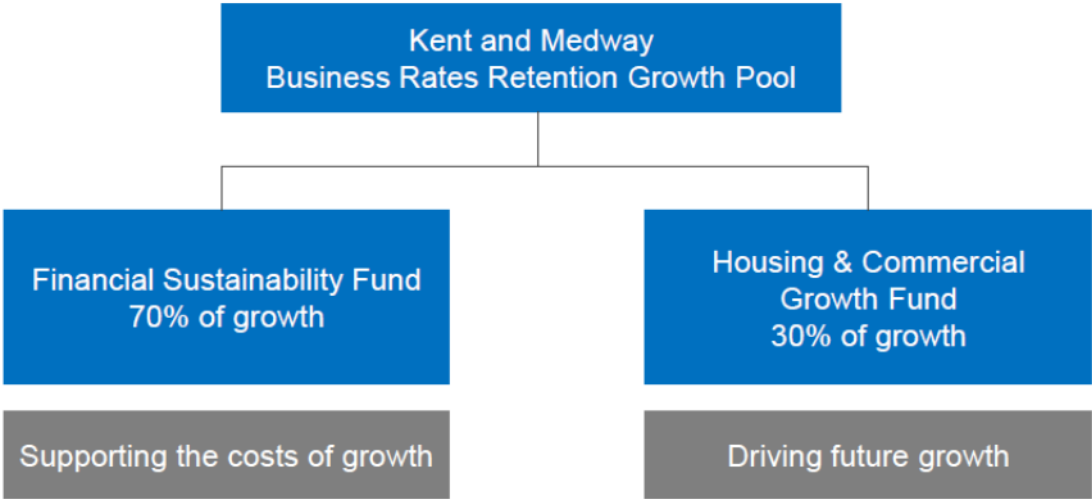
Cumulative Change in SFA by class of authority – 2017-18 to 2019-20



- 2.4 The Kent view of Core Spending Power per dwelling for individual district authorities is shown in the graph below.



- 2.5 In 2018-19 Gravesham will have the fifth lowest level of spending power per dwelling at £243. This is a reduction of 7.3% (£19 per dwelling) compared to the equivalent Core Spending Power measure in 2017-18.
- 2.6 On 19 December 2017 the Secretary of State confirmed that Kent & Medway had been successful in its bid to become a Business Rates Pilot area for 2018-19 only. In becoming part of a Pilot area, the council has agreed to forego Revenue Support Grant in return for retaining a higher share of business rates. The Pilot will see business rates generated in Kent retained in Kent. The 50% of the estimated business rates aggregate that would have previously been returned to HM Treasury will be distributed as per the diagram below to help Kent Authorities increase financial stability, respond to the pressures on services resulting from population and business growth, and drive future housing delivery and commercial growth.



- 2.7 Growth in business rates above the baseline amount for each authority that was not previously paid to HM Treasury (and will not be in 2018-19) will be continue to be directed by the mechanism put in place under the Kent Business Rate Pool (i.e. 30% retained by this council, 30% allocated to the Growth Fund Reserve, 30% receivable by KCC and 10% to a Safety Net Reserve).
- 2.8 Based on prudent projections, the Pilot is anticipated to deliver financial benefit of some £18.0m for the area as a whole in 2018-19, representing business rate income that would otherwise be returned to Central Government. Based on these projections, the Financial Sustainability Fund would account for the distribution of £12.6m, with the Housing and Commercial Growth Fund distributing the remaining £5.4m. Distribution of the Funds would be as follows:

- **Financial Sustainability Fund** - an initial distribution (£250,000 for district councils) and a further distribution of the balance of the fund linked to growth in population and business rates.
- **Housing and Commercial Growth Fund** - distribution of the Fund will be overseen by three clusters of North Kent, West Kent and East Kent based on each cluster’s collective Business Rates Baselines. For the North Kent cluster (incorporating Gravesham, Dartford, Maidstone Swale and Medway), the distribution from the Fund is projected to be £2.4m in 2018-19 and will be within parameters agreed by cluster members using the established Leader Board arrangements.

- 2.9 When drafted in early 2016, the Medium Term Financial Strategy 2016-17 to 2019-20 identified that the whilst the council was able to draw on its Working Balances to fund its annual revenue budget initially, a residual funding gap of £2.5m would emerge in 2019-20 were the Council to take no action. The Strategy also set out the action to be taken by the council to bridge the funding gap.

|  | £                  |
|--|--------------------|
| <b>Bridging the Gap Activity</b>               |                    |
| - Property Acquisition Strategy                | (400,000)          |
| - Fees and Charges activity                    | (270,000)          |
| - Service Review Process Option Implementation | (1,430,000)        |
| - Shared Services progression                  | (240,000)          |
| - Budgetary Challenge Measures                 | (200,000)          |
| <b>TOTAL VALUE OF ACTIVITY</b>                 | <b>(2,540,000)</b> |

- 2.10 The funding gap, and therefore action required by the council, increased by £0.4m to £2.9m last year, primarily driven by the changes to the design of the New Homes Bonus Scheme.

- 2.11 The council continues to make strong progress in delivering the workstreams in the MTFs to address the reduction in government funding. Measures totalling £1.9m have been reflected in the MTFP at the point of proposing the budget for 2018-19.

| <b>Progress in delivery of Bridging the Gap Activity</b> |                                       |   |   |   |
|--|---------------------------------------|---|---|---|
| <b>Workstream</b>  | <b>Expected Value of Activity (£)</b> | <b>Activity Implemented and reflected in MTFP (£)</b> | <b>Activity Agreed, not yet reflected in MTFP (£)</b> | <b>Value of further activity required (£)</b> |
| <b>Property Acquisition Strategy (Phase 1)</b>           | <b>400,000</b>                        |   |   | <b>0</b>                                      |
| Network House, Gillingham                                |                                       | 147,710   |   |   |
| Springhead Units, Gravesend                              |                                       | 150,000   |   |   |
| St John's House, Dartford                                |                                       | 110,670   |   |   |
| <b>Fees and Charges Activity</b>                         | <b>270,000</b>                        |   |   | <b>166,570</b>                                |
| Fees and Charges Review 2017-18                          |                                       | 60,000  |   |   |
| Fees and Charges Review 2018-19                          |                                       | 43,430  |   |   |
| <b>Service Review Process Option Implementation</b>      | <b>1,430,000</b>                      |   |   | <b>0</b>                                      |
| Economic Development & Town Centre Management            |                                       | 264,230   | 29,060  |   |
| Public Health & Communities                              |                                       | 195,200   | 990   |   |
| Parking & Amenities                                      |                                       | 229,770   | 30,230  |   |
| Revenues & Benefits                                      |                                       | 14,110  | 82,890  |   |
| Regulatory Services                                      |                                       | 76,340  | 90,560  |   |
| Planning & Regeneration Services                         |                                       | 131,040   | 14,960  |   |
| Customer & Theatre Services                              |                                       | -   | 110,920   |   |
| Direct Services Operation                                |                                       | 107,150   | 86,400  |   |
| <b>Shared Service Progression</b>                        | <b>240,000</b>                        |   |   | <b>153,000</b>                                |
| Legal Services   |                                       | 87,000  |   |   |
| <b>Budgetary Challenge Measures</b>                      | <b>200,000</b>                        |   |   | <b>0</b>                                      |
| Consistent Underspend Exercise                           |                                       | 200,000   |   |   |
| <b>Property Acquisition Strategy (Phase 2)</b>           | <b>397,000</b>                        |   |   | <b>312,000</b>                                |
| 123-127 Sittingbourne Road                               |                                       | 85,000  |   |   |
| <b>Total Value of Activity</b>                           | <b>2,937,000</b>                      | <b>1,901,650</b>                                      | <b>444,030</b>  | <b>631,570</b>                                |

- 2.12 The delivery of the Bridging the Gap activity alongside in-year savings against budgets, further diversification of investment activity, achievement of Business Rates Pilot Status in 2018-19 and changes to council tax referendum thresholds for 2018-19 and 2019-20 have had the effect of pushing back the point at which further savings of around £2.0m are required to be delivered by the council until 2021-22. Just over £1.0m of these savings will be delivered from the further Bridging the Gap activity identified in the table above as yet to be delivered. The council therefore currently has a window of three years in which to identify further activity that can contribute to meeting the further savings required.
- 2.13 It is important to note, however, that there still remains significant volatility in proposed changes to the way in which local government is funded from 2020-21:
- **Spending Review 2019** – this will provide a forward-looking view of the Government's spending plans and the budgets allocated to government departments, which will directly influence the level of funding directed to local government.
  - **Fair Funding Review** – Government are currently conducting a review to inform the way in which the measurement of the relative needs of local authorities and the resources required to meet these needs is undertaken in future. Early indications suggest that the review will result in a shift of funding from lower tier to upper tier authorities, potentially creating further pressures on this council's budgets.
  - **Business Rates Reset** – Government are considering a partial reset of business rates in 2020-21 as a mechanism to redistributing business rates across the country to meet changes in the relative needs of local authorities. This would adjust the business rate baseline of the council and may result in a proportion of the growth in business rates achieved being passed back to central government for redistribution.
  - **75% Business Rates Retention** – the Autumn Budget included the announcement that Government would be moving to 75% Business Rate Retention in 2020-21, rather than the 100% Business Rate Retention in 2019-20 which was initially announced. There are no details around how the 75% Business Rates Retention Scheme will work, particularly in relation to how retained Business Rates income would be distributed in two-tier areas such as Kent.
  - **New Homes Bonus** - Government have retained the option to adjust the baseline in future years to reflect significant and unexpected housing growth. This may see allocations further affected in future years, and the amount of funding to be distributed through this mechanism could also be affected by the Spending Review 2019.
- 2.14 For these reasons it is critical that the council pushes forward with the Bridging the Gap Activity to ensure that it is in the best position possible to respond to the outcomes of Government decisions around local government funding and is able to continue delivering services to its residents.

### **3. General Fund Budget 2018-19**

- 3.1 The General Fund Revenue and Capital Estimates 2018-19 have been prepared with due regard to the council's Corporate Plan and Partnership Framework. The provisional revenue estimates for the further nine years following 2018-19 are intended to provide indicative budget requirements based upon current information available, and will be subject to change over the forthcoming period.
- 3.2 The Local Government Act 2003 requires the Chief Finance Officer to report on both the robustness of the estimates and the adequacy of reserves as part of the budget setting process. The report of the Chief Financial Officer was presented to Cabinet on 5 February 2018 as part of the draft General Fund revenue and capital estimates for the year 2018-19; this concluded that the estimates are robust and that at this time, the level of reserves is sufficient for the Authority.

### **4. Council Tax proposal 2018-19**

- 4.1 In formulating the final council tax proposal, Cabinet on 5 February 2018 gave due consideration to the draft General Fund revenue estimates for the year, the Council's future funding situation (as shown within the Medium Term Financial Plan) and the financial pressures set out in Section Two of this report.
- 4.2 The proposal made by Cabinet to Full Council is to increase council tax by £5.67 for a Band D property in 2018-19, taking the Band D charge for Gravesham's element of the overall Council Tax charge to £197.28. This is below the Council Tax Referendum Limit of 3% or £5 (whichever the higher) and reflects the requirements for council tax amounts to be divisible by nine. A Council Tax resolution based on this proposal has been drafted and is attached at Appendix 2.
- 4.3 At the time of writing this report, Kent County Council (KCC) was due to determine its council tax level for 2018-19 on 20 February 2018. The Council Tax resolution has been prepared on the basis of a KCC precept of £42,066,550, which results in a Band D Council Tax charge for the KCC element of the overall Council tax charge of £1,237.68. Should an alternative Council Tax charge be approved at that meeting, the overall Council Tax resolution appended to this report will be updated accordingly.
- 4.4 The MTFP at Appendix 5 reflects the proposal to Full Council to increase council tax by £5.67 (2.96%) in 2018-19 and assumes that the Council will increase council tax by the higher of 3% or £5 for the following year, though this will be subject to Full Council decision.

## **5. Items for Member consideration**

5.1 Members are asked to approve the General Fund estimates for 2018-19 and to note the provisional estimates for the further nine years, incorporating the determination of the Gravesham Borough Council element of the overall Council Tax charge for 2018-19. The main features of the 2018-19 budget and council tax proposals can be summarised as follows:

- The budget requirement for 2018-19 is £12,622,790.
- The budget is based on the implementation of a 2.96% rise in Gravesham Borough Council's Council Tax charge for 2018-19. This is equivalent to less than 11 pence per week for a Band D property, with the new Band D charge being £197.28 for the year. Some 60% of residents will receive a lesser charge due to them residing in a dwelling assessed as below Band D.
- The budget for 2018-19 represents a balanced budget position, after utilising working balances of £1,329,640. This is in accordance with the objective in the council's Medium Term Financial Strategy to enable sums in excess of the £3.25m level of working balances to be released to support the annual General Fund revenue budget.
- The budget is based upon the premise that no new savings are required to balance the budget for 2018-19.
- The budget includes the continued use of a number of specific reserves over the forthcoming period to assist with mitigating financial liabilities.
- The budget incorporates the effects of general economic factors such as inflation, interest rates and other economic factors.

## **6. Medium Term Financial Strategy**

6.1 The Medium Term Financial Strategy (MTFS) sets the framework within which the council plans and manage its finances, whilst ensuring that these fit with and support the achievement of the Council's objectives. The core principles contained within the MTFS are:

- To ensure that the finite resources available are aligned to the Council's corporate objectives.
- To seek to maintain a sustainable financial position over the MTFS period.
- To preserve a minimum level of £3.25m General Fund working balances and a minimum level of £3m Housing Revenue Account working balances.
- To ensure that decisions relating to Council Tax Setting are made with due regard to the guidelines issued by the Secretary of State.

## **7. Council Tax Reduction Scheme 2018-19**

- 7.1 Councils have a duty to review the Council Tax Reduction Scheme they have in place on an annual basis even if no major changes are to be made, with the deadline for agreeing the scheme extended to 11 March. The Council Tax Reduction Scheme 2018-19 has been updated in line with the Prescribed Requirements and Default Scheme.
- 7.2 Details of the scheme can be found on the Council's website:  
<http://www.gravesham.gov.uk/home/council-tax/council-tax-reduction/changes-to-council-tax-reduction>



**IMPLICATIONS****APPENDIX 1**

Attached at **Appendix 2** is the draft resolution which seeks to identify for Full Council the processes which have to be undertaken to arrive at the levels of Council Tax applicable to each part of the Borough. The parts in bold type seek to explain each calculation.

Members will be aware that it is usual for us to prepare, at this point, a draft resolution incorporating the anticipated council tax figures for the borough council and the parishes.

|   |  |
|---|--|
| <p><b>Legal</b></p>                       | <p>There are a number of legislative requirements to consider in setting the Budget which were addressed as the council moved through the budget cycle.</p> <p>The Localism Act introduced a requirement for council tax referendums to be held if an authority increases its relevant basic amount of council tax in excess of the council tax referendum limit determined by the Secretary of State and approved by the House of Commons. For 2018-19 the council tax referendum limit has been set at the higher of 3% or £5. The level of council tax proposed falls below this.</p> <p>As required by Section 65 of the Local Government Finance Act 1992, Gravesham Borough Council has a statutory duty to consult with representatives of ratepayers on its proposed expenditure for the following financial year. This has been undertaken, with no responses received by the consultation deadline of 14 February.</p>   |
| <p><b>Finance and Value for Money</b></p> | <p>As set out above within the body of the report.</p>   |
| <p><b>Risk Assessment</b></p>             | <p>The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external advice on assumptions obtained where appropriate. Current and future challenges are summarised in this report and outlined in the General Fund Revenue and Capital Estimates 2018-19 report, as presented to the Cabinet on the 5 February 2018.</p> <p>Under the provisions of the Localism Act, any increase in the relevant basic amount of Council Tax above the principles, however small, will require a referendum to be held which is a risk in itself.</p> <p>In addition, not identifying and implementing the requisite savings will put at risk the integrity of the Medium Term Financial Strategy. Failure to adopt a robust MTFs and the integral MTFP may result in the council being unable to support its priorities as identified in the council's Corporate Plan.</p> |
| <p><b>Equality Impact Assessment</b></p>  | <p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p style="text-align: center;">No</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p>  |

|  |   |
|--|---|
|  | No  |
|  | <i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.</i> |
| <b>Corporate Plan</b>                              | Strategic Objective Four - Sound & self-sufficient council.   |
| <b>Crime and Disorder</b>                          | Not Applicable  |
| <b>Digital and website implications</b>            | The approved Council tax charges will be uploaded to our website, with e-bills produced for those wishing to have them.   |
| <b>Safeguarding children and vulnerable adults</b> | Not Applicable  |