

Gravesham Borough Council

Report to: Council
Date: 26 February 2019
Reporting officer: Director (Corporate Services)
Subject: Council Tax and Budget Setting 2019-20

Purpose and summary of report:

To consider a resolution to determine the Council Tax to be levied for 2019-20.

To determine the General Fund and Housing Revenue Account revenue and capital budgets for 2019-20.

To agree proposals in relation to Business Rates and the Gravesham Borough Council CTRS (Council Tax Reduction Scheme).

Recommendations:

It is recommended that Full Council:

1. approves the council tax resolution for Gravesham Borough Council as at Appendix 2;
2. ratifies the Council Tax Base as at Appendix 3;
3. considers the budget proposals contained within this report and the proposed Budget Book for Gravesham Borough Council provided at Appendix 4, and determines the General Fund and Housing Revenue Account revenue and capital budgets for 2019-20, noting the provisional estimates for the further nine years,
4. agrees to adopt a local scheme for Business Rates retail discount to be awarded in line with MHCLG guidance from 1 April 2019, and that delegated authority be given to the Director Corporate Services to grant relief in accordance with the adopted retail discount scheme;
5. agrees the Gravesham Borough Council CTRS (Council Tax Reduction Scheme) 2019/20;
6. notes that the long term empty homes premium of 100% will be applied from 1 April 2019 as reported to Cabinet on 12 November 2018 and adopted by Full Council on 18 December 2018.

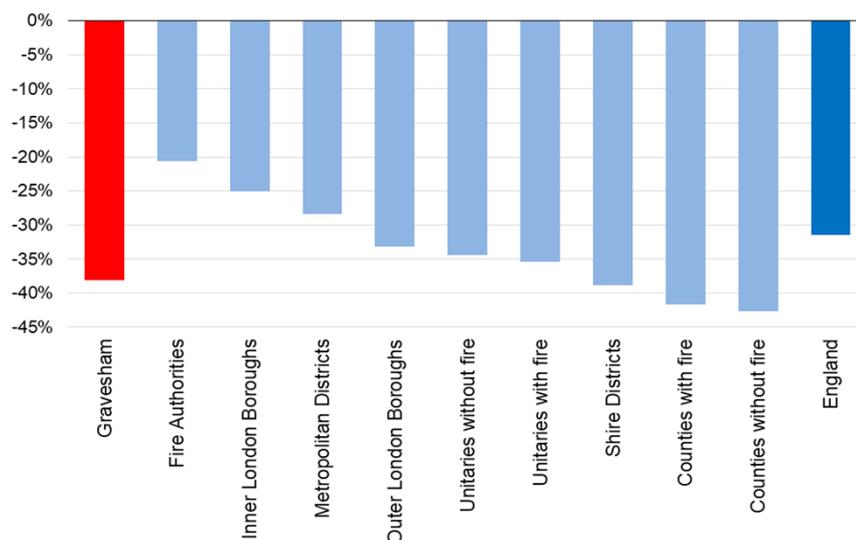
1. Introduction

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.

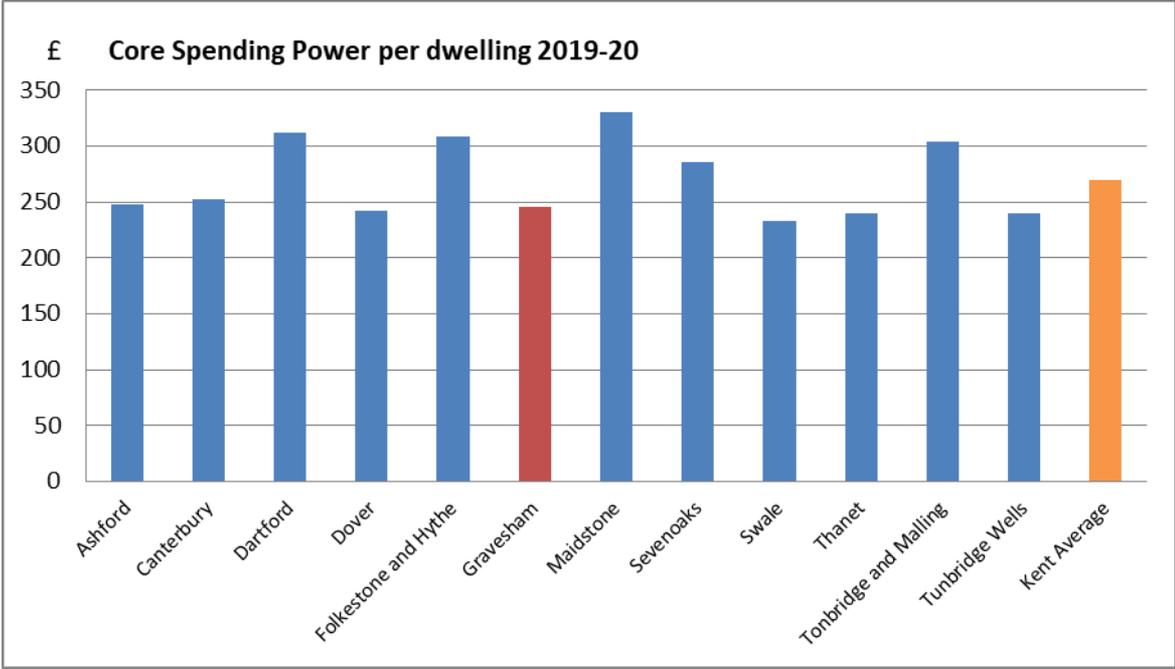
2. Considerations for the General Fund Budget and Council Tax 2019-20

- 2.1 On 4 February 2019, Cabinet considered the draft General Fund revenue and capital estimates for the year 2019-20. 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 14 February 2019.
- 2.2 On 29 January 2019 the Ministry of Housing, Communities and Local Government published a written statement from The Rt. Hon. James Brokenshire MP on the Final Local Government Finance Settlement for 2019-20. This confirmed the Government's continued reduction of the total Local Government Settlement Funding Assessment for local authorities, 2019-20 being the last year of the multi-year settlement accepted by 97% of councils. The SFA was a slightly improved position than that expected due to the decision of Government to provide an additional £153m of funding to those authorities that were due to pay negative RSG for 2019/20.
- 2.3 The graph below shows the cumulative change in SFA by class of authority over the multi-year settlement period, demonstrating that Shire Districts, such as Gravesham, have been significantly affected by government funding reductions.

Cumulative Change in headline SFA by class of authority – 2015-16 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 2019-20 Gravesham will continue to have the fifth lowest level of assumed spending power per dwelling at £246. This is an assumed increase of 2.1% (£5 per dwelling) compared to the equivalent Core Spending Power measure in 2018-19, albeit the true increase is closer to 1.1% due to assumptions applied to the measure around growth in council tax base.

2.6 When drafted in early 2016, the Medium Term Financial Strategy 2016-17 to 2019-20 identified that 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.

	£
Bridging the Gap Activity	
- 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)
TOTAL VALUE OF ACTIVITY	(2,540,000)

2.7 The funding gap, and therefore action required by the council, increased by £0.4m to £2.9m when setting the budget for 2017-18, primarily driven by the changes to the design of the New Homes Bonus Scheme. The funding gap was widened by at least a further £1m at budget setting 2018-19 due to the financial impact of low housebuilding rates in the borough, the higher than anticipated staff pay award and lower than expected interest rates.

2.8 The council continues to maintain its track record in delivering the workstreams in the MTFs to address the reduction in government funding. Measures totalling £3.5m have been reflected in the MTFP at the point of proposing the budget for 2019-20.

Workstream	Expected Value of Activity (£)	Activity Implemented and reflected in MTFP (£)	Activity Agreed, not yet reflected in MTFP (£)	Value of further activity required (£)
Property Acquisition Strategy (Phase 1)	400,000			0
Network House, Gillingham		147,710		
Springhead Units, Gravesend		150,000		
St John's House, Dartford		110,670		
Fees and Charges Activity	270,000			101,400
Fees and Charges Review - 2017-18 budget setting		60,000		
Fees and Charges Review - 2018-19 budget setting		43,430		
Revised Garden Waste charges from April 2018		25,000		
Fees and Charges Review - 2019-20 budget setting		40,170		
Service Review Process Option Implementation	1,430,000			0
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		76,190	90,710	
Planning & Regeneration Services		138,140	7,860	
Customer & Theatre Services		-	110,920	
Direct Services Operation		154,350	39,200	
Shared Service Progression	240,000			121,760
Legal Services		87,000		
HR		22,660		
Licensing		8,580		
Budgetary Challenge Measures	200,000			0
Consistent Underspends Exercise		200,000		
Property Acquisition Strategy (Phase 2)	397,000			0
123-127 Sittingbourne High Street		85,000		
Acquisition of Site at Stuart Road, Gravesend		511,190		
Planned Acquisition A			200,000	
Planned Acquisition B			58,000	
Balancing the Budget Initiatives (November 2018)	1,274,000		325,360	
Communities Directorate		16,730		
Corporate Services		662,810		
Housing & Regeneration		-		
Environment & Operations		169,100		
Cross-Directorate		100,000		
Total Value of Activity	4,211,000	3,512,040	973,240	223,160

* The total value of implemented, agreed and further activity required will not equal the total expected value of activity due to delivery beyond that expected in the Property Acquisition and Service Review workstreams.

2.9 The delivery of the Bridging the Gap and Balancing the Budget activity, alongside in-year savings against budgets, the financial benefit from Business Rates Pilot Status in 2018-19 and improved performance in securing New Homes Bonus has had the effect of pushing back the point at which further savings are required to 2023-24, with a residual budget gap of around £1.9m. Some £1.2m of these savings will be delivered from the further Bridging the Gap/Balancing the Budget activity identified in the table on the previous page as yet to be delivered. The council therefore currently has a window of three years in which to identify further activity of £0.7m that can contribute to meeting the further savings required.

2.10 It is important to note, however, that there still remains significant volatility in the way in which local government is funded from 2020-21 which will begin to materialise during the next year:

- **Spending Review 2019** – due in Spring 2018, 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. Indications from the Autumn Budget 2018 suggest that the funding made available to MHCLG will be squeezed, given the commitments made by Government to the NHS and Education.
- **Fair Funding Review** – Government are continuing their 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. Indications continue to suggest that the review will result in a shift of funding from lower tier to upper tier authorities, creating further pressures on this council's budgets.
- **Business Rates Reform** – Government are proposing a redesign and reset of the Business Rates Retention Scheme from 2020-21 which will see changes to the mechanism used to redistribute business rates across the country to meet changes in the relative needs of local authorities. This is likely to adjust the business rate baseline of the council and may result in a greater proportion of business rates achieved in the borough being passed back to central government for redistribution.
- **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, assuming that the Scheme continues at all.
- **Commercialisation** – there has been increasing concerns expressed by Government and professional bodies regarding some council's commercial investments and the potential risks they are exposing themselves and the public to. Any intervention by Government in this area may put at risk the council's ability to generate income through this activity in the future.

2.11 For these reasons it is critical that the council pushes forward with the Bridging the Gap/Balancing the Budget 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 2019-20

- 3.1 The General Fund Revenue and Capital Estimates 2019-20 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 2019-20 are provided within the Medium Term Financial Plan at Appendix 5 and 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 4 February 2019 as part of the draft General Fund revenue and capital estimates for the year 2019-20; this concluded that the estimates are robust and that at this time, the level of reserves is sufficient for the Authority.
- 3.3 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 consultation exercise has been undertaken, with no responses received by the consultation deadline of 14 February.

4. Council Tax proposal 2019-20

- 4.1 In formulating the final council tax proposal, Cabinet on 4 February 2019 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 £5.85 for a Band D property in 2019-20, taking the Band D charge for Gravesham's element of the overall Council Tax charge to £203.13. 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 The MTFP at Appendix 5 reflects the proposal to Full Council to increase council tax by £5.85 (2.97%) in 2019-20. For future years, it is assumed that a referendum limit of 2% will apply and that the Council will increase council tax in line with this limit, though each year this will be subject to Full Council decision.

5. Housing Revenue Account Budget 2019-20

6. The Housing Revenue Account Revenue and Capital Estimates 2019-20 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 2019-20 are provided within the Business Plan extract at Appendix 6 and are intended to provide indicative budget requirements based upon current information available, and will be subject to change over the forthcoming period.
7. 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 4 February 2019 as part of the draft Housing Revenue Account revenue and capital estimates for the year 2019-20; this concluded that the estimates are robust and that at this time, the level of reserves is sufficient for the Authority.

8. Items for Member consideration

- 8.1 Members are asked to approve the General Fund estimates for 2019-20 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 2019-20. The main features of the 2019-20 budget and council tax proposals can be summarised as follows:
 - The budget requirement for 2019-20 is £11,471,640.
 - The budget is based on the implementation of a 2.97% rise in Gravesham Borough Council's Council Tax charge for 2019-20. This is equivalent to 11 pence per week for a Band D property, with the new Band D charge being £203.13 for the year. Some 59% of residents will receive a lesser charge due to them residing in a dwelling assessed as being below Band D.
 - The budget for 2019-20 represents a balanced budget position, after utilising working balances of £739,870. This is in accordance with the objective in the council's Medium Term Financial Strategy and latest assessment of the level of working balances and reserves to enable sums in excess of the £5.25m 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 2019-20.
 - 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.

8.2 Members are asked to approve the Housing Revenue Account estimates for 2019-20 and to note the provisional estimates for the further nine years. The main features of the 2019-20 budget can be summarised as follows:

- The Housing Revenue Account budget for 2019-20 reflects budgeted income of £27.2m and expenditure of £30.7m, with the need to draw £3.5m from the general reserve principally to fund the capital programme.
- The budget for 2019-20 represents a balanced budget position with working balances at the end of the year remaining at £3.0m, the minimum level of working balances for the HRA as determined by the Medium Term Financial Strategy.
- The budget reflects the final year of the governments rent reduction policy, which requires rents to reduce by 1%. This sees the authority's average weekly rent falling from its current level of £87.77 to £87.71 in 2019-20.
- The budget is based upon the premise that no new savings are required to balance the budget for 2019-20.
- The budget incorporates the effects of general economic factors such as inflation, interest rates and other economic factors.

9. Medium Term Financial Strategy

9.1 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 (as updated by the most recent review of the level of working balances and reserves) 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 £5.25m 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.

10. Council Tax Reduction Scheme 2019-20

- 10.1 The Council Tax Reduction Scheme (CTRS), which replaced council tax benefit from 1 April 2013, has been updated and aligned with national benefit rates each year in accordance with prescribed requirements from Government and in line with benefit rates and allowances provided in the annual uprating circular published by the DWP. It is proposed that the Council's local council tax reduction scheme for 2019/20 will be based on the 2018/19 scheme with amendments for prescribed requirements and uprating.
- 10.2 In addition to the above amendments, to simplify claiming and administration of CTRS, it is proposed that the scheme be amended to allow a claim for UC to be treated as the intention to claim council tax reduction from the date of the UC claim. That information can be obtained via the Department for Work and Pensions (DWP) Data Hub. A claim made in this way would of course be subject to all other rules around entitlement as a claim made directly to the Council.
- 10.3 The scheme for 2019/20 will be available to Full Council to view on our website on the following link:

<http://www.gravesham.gov.uk/home/council-tax/council-tax-reduction/changes-to-council-tax-reduction>

11. Business Rates Changes 2019-20

- 11.1 A package of business rates measures were announced to recognise that changing consumer behaviour presents a significant challenge for retailers in our town centres:
- A one third discount for retail property with a rateable value below £51,000 for two years;
 - Intention to legislate to grant a 100% relief from business rates for all standalone public toilets;
 - Extension of the £1,500 business rates discount for local newspapers' office space in 2019/20.
- 11.2 The council is required to adopt a local scheme for determining the retail discount to be awarded in each individual case, having regard to the guidance to grant relief under section 47 of the Local Government Finance Act 1988. The scheme adopted by the council will be in line with the discretionary relief policy and MHCLG guidance. To qualify for the relief the hereditament should be wholly or mainly used as a shop, restaurant, café or drinking establishment; eligible businesses will be identified and automatically awarded the discount.
- 11.3 The relief will have effect for 2019/20 and 2020/21 with State aid rules applying in the normal way. The Council will be compensated for the cost of granting the relief through a Section 31 grant from Government and in accordance with the New Burdens doctrine, MHCLG will conduct an assessment of the expected reasonable additional costs of new software and staffing/administration with relevant stakeholders shortly. Full details of funding for these costs will be released following this assessment.

IMPLICATIONS**APPENDIX 1**

Attached at **Appendix 2** is the draft council tax 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 where this is necessary.

Legal	<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 2019-20 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>
Finance and Value for Money	As set out above within the body of the report.
Risk Assessment	<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 and Housing Revenue Account Revenue and Capital Estimates 2019-20 reports, as presented to the Cabinet on the 4 February 2019. This set out the opinion of the Director (Corporate Services) that the General Fund General Revenue Reserve be increased from £2m to £4m and the Commercial Income Protection Reserve be increased to a level equivalent to 15% of total rental income generated.</p>
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data?</p> <p>A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p>

	<p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<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>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> <p>No</p>
	<p><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></p>
Corporate Plan	Strategic Objective Four - Sound & self-sufficient council.
Crime and Disorder	Not Applicable
Digital and website implications	The approved Council tax charges will be uploaded to our website, with e-bills produced for those wishing to have them.
Safeguarding children and vulnerable adults	Not Applicable