

Agenda Item No: 9 (ii)
Report Title: Setting the Council Tax
Report To: Council **Date:** 19 February 2018
Leader of the Council: Councillor Andy Smith
Ward(s) Affected: All
Report By: Alan Osborne, Deputy Chief Executive
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Purpose of Report:

To explain to Council the process for determining the level of General Fund Council Tax Requirement and Council Tax for 2018/2019.

Officers Recommendation(s):

- 1 That Council approves an aggregate Council Tax requirement of £7,438,000 (a Council Tax increase of 2.6% for the aggregate Lewes District Council Council Tax Requirement), comprising
 - a. A General Expenses Council Tax requirement of £6,793,160 (a Council Tax increase of 2.6% for Lewes District Council's General Expenses).
 - b. A Special Expenses Council Tax Requirement of £644,840.
- 2 That Council approves the resultant Council Tax Band D tax rates as set out in Appendices D and the draft Council Tax resolution at Appendix E.

Reasons for Recommendations

- 1 In setting the Council Tax for 2018/2019, the Council needs to determine the level of the General Fund Council Tax Requirement for the year. The Localism Act 2011 also requires local authorities to determine whether their basic amount of council tax for a year is excessive.
- 2 The Council has adopted a system of 'Special Expenses' in respect of the cost of General Fund Open Spaces. In setting the basic of amount of council tax for 2018/2019, it is necessary for the Council to determine the costs which are to be its Special Expenses for the year, with all other costs being charged as its 'General Expenses'.

Information

3 General Fund Summary for 2018/2019

3.1 At its meeting on 5 February 2018 Cabinet considered the amount of the aggregate General Fund Council Tax Requirement for 2018/2019. The aggregate Council Tax Requirement is used to determine the amount of the Band D council tax for the year. The aggregate Council Tax Requirement comprises two elements. The majority part is General Expenses. The remainder is attributed to Special Expenses.

(a) General Expenses: Cabinet has recommended a Council Tax Requirement that incorporates a 2.6% increase in the General Expenses element of the council tax, resulting in a Band D council tax amount of £183.43 for 2018/2019.

(b) Special Expenses: the Council is committed to passing on budget changes in respect of the management and maintenance of open spaces. The cost of managing and maintaining some open spaces in Newhaven has been reintroduced into the 2018/2019 General Fund budget, having been excluded in 2017/2018 in expectation of those sites being devolved. This leads to a 6.7% increase in the total Band D charge for Special Expenses.

3.2 The summary of the budget proposal on which the Council Tax Requirement is based is presented at Appendix A. At the time of the Cabinet meeting, the final 2018/2019 Local Government Finance Settlement had not been published by the Ministry of Housing, Communities and Local Government. Estimates of retained business rates income and the amount of levy to be redistributed from the East Sussex Business Rates Pool were also provisional. As a result, Cabinet recommended that the Deputy Chief Executive is authorised to make the necessary adjustments to maintain the General Expenses element of the council tax requirement at £183.43 following publication of the Settlement.

3.3 The Settlement was published on 6 February. As recommended, the Deputy Chief Executive has made the following adjustments to the budget proposal, all of which leave the recommended council tax requirement unchanged:

	£'000
Reduction in Retained Business Rates income – reduction in contribution to Strategic Change Reserve	37
Redistribution of Business Rates levy from East Sussex Business Rates Pool (provisional estimate) – added to Economic Regeneration reserve	(272)
Retention of Business Rates Growth in Newhaven Enterprise Zone – added to Economic Regeneration reserve	(101)
Net additional income	(336)
Additional contribution to Reserves	336
Net change to General Fund budget proposal	0

- 3.4** In recommending the budget proposal, Cabinet considered the medium term budget outlook. The budget proposal requires no use of the General Fund uncommitted reserve to finance recurring expenditure. It includes a savings target of £700,000 to be met from the Joint Transformation Programme. The total savings target for 2018/2019 to 2021/2022 is £1.8m.
- 3.5** The budget proposal comprises net General Fund expenditure in 2018/2019 amounting to £12,152,000, a reduction of £290,000 compared with 2017/2018. This is to be financed from:

	£	%	<i>Comparative 2017/18 %</i>
Government Grants	1,029,000	8.5	17.1
Retained Business Rates	3,555,000	29.3	23.8
Council Tax surplus returned to taxpayers	130,000	1.1	2.1
Council Tax Requirement	7,438,000	61.1	57.0
Total	12,152,000	100.0	100.0

The table above illustrates the continuing shift in funding away from Government grant to the local income streams of council tax and business rates.

- 3.6** The Council Tax Requirement equates to an average annual Band D Council Tax of £200.84 for 2018/2019. The elements are:

	£	Band D Council Tax 2018/19 £	Band D Council Tax 2017/18 £	Change £	Change %
General Expenses	6,793,160	183.43	178.74	4.69	2.62
Special Expenses	644,840	17.41	16.31	1.10	6.74
Total	7,438,000	200.84	195.05	5.79	2.97

- 3.7** The budget proposal has been brought together using feedback from:

- Service managers and Union representatives at the Council
- Scrutiny Committee consideration of the emerging budget in January 2018
- Town and Parish Councils
- Voluntary Sector partner organisations
- Local business ratepayers
- Tenants of Lewes District (TOLD) organisation

4 General Fund Reserves

- 4.1** The Council retains reserves to support revenue and capital expenditure. The total value of General Fund Reserves at 1 April 2018 is projected to be £6.981m. £1.850m is contributed to reserves in 2018/2019. £1.545m is allocated for use in the year. The total value of General Fund Reserves at 31 March 2019 increases to £7.286m.

4.2 A statement showing each of the Council's reserves, along with total contributions and use, through to March 2019 is attached at Appendix B.

5 Special Expenses

5.1 The Council introduced a system of 'Special Expenses' in respect of the cost of General Fund Open Spaces, with effect from 1 April 2014. As a result, the cost of each Open Space is charged, through the Council Tax, only to the residents of the Town/Parish area in which that Open Space is located.

5.2 In total, £644,840 is to be charged as Special Expenses, allocated across six local areas within the District as shown below.

Part of the District	(a) Total cost 18/19 £	(b) Taxbase 18/19	(c)=(a)/(b) Special Expense 18/19 Band D £	(d) Special Expense 17/18 Band D £
Lewes	338,830	6,156.7	55.03	56.40
Newhaven	155,150	3,568.9	43.47	27.32
Telscombe	53,230	2,590.5	20.55	20.83
Seaford	54,590	9,706.6	5.62	5.70
Peacehaven	37,810	4,831.2	7.83	8.00
Chailey	1,060	1,306.1	0.81	0.81
Ringmer	4,170	1,908.5	2.18	2.19
TOTAL SPECIAL EXPENSES	644,840	37,034.0	17.41	16.31

5.3 The cost of Open Spaces which will be charged as Special Expenses is derived from the 2018/2019 budget, including the cost of the grounds maintenance contract, site specific items (eg water supplies), provisions for direct costs (eg repairs to fences and tree planting) and management costs.

5.4 The aggregate of Special Expenses has increased by a net amount of £51,900 between 2017/2018 and 2018/2019, comprising £54,480 attributable to sites previously expected to be devolved in 2017/2018 being brought back into the budget, offset by £2,680 in cost reductions.

6 The Council Tax Resolution

6.1 The schedule of Town and Parish precepts for 2018/2019 is shown at Appendix C. Appendix D shows the total council tax requirements for this Council, East Sussex County Council, Police and Crime Commissioner for Sussex and East Sussex Fire Authority. It should be noted that the amount shown for East Sussex Fire Authority is provisional at the time of writing this report, pending its meeting on 15 February 2018. This information forms the basis of the Council Tax Draft Resolution shown at Appendix E.

- 6.2** The Localism Act 2011 introduced a requirement for a local authority to determine whether its basic amount of council tax for a financial year is excessive, in which case a local referendum would be needed. The Secretary of State has confirmed that in the case of district councils, increases of less than 3% or up to and including £5 (whichever is the higher) can be made without triggering a referendum.
- 6.3** The 'excessiveness' calculation is made by reference to the District Council's proposed council tax requirement which includes its own Special Expenses, but excludes Town and Parish Council precepts. As noted in paragraph 3.6, this basic amount of tax for 2018/2019 at £200.84 is 2.97% higher than the 2017/2018 amount and is not, therefore, excessive.

Financial Appraisal

- 7** This is covered in the paragraphs above and the 'General Fund Revenue Budget' report to Cabinet dated 5 February 2018.

Legal Implications

- 8** These are as shown in the 'General Fund Revenue Budget' report to Cabinet. In addition, the Local Government Finance Act 1992 requires the Council, by 11 March 2018 to make a series of calculations in respect of its budget and council tax amounts for 2018/2019. These are set out in Appendix E.

Risk Management Implications

- 9** This is as shown in the 'General Fund Revenue Budget' report to Cabinet.

Equality Screening

- 10** This is as shown in the 'General Fund Revenue Budget' report to Cabinet.

Background Papers

General Fund Revenue Budget 2018/2019 – Cabinet Report 5 February 2018
<https://lewes.cmis.uk.com/cmis5/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/505/Meeting/736/Committee/190/Default.aspx>

Appendices

- Appendix A : 2018/2019 General Fund Budget Summary
Appendix B : Statement of Council Reserves projection to March 2019
Appendix C : Schedule of Town and Parish Council Precepts
Appendix D : Summary of all Preceptors' Requirements
Appendix E : Council Tax Draft Resolution