

Executive

Wednesday 10 February 2016

Agenda item 4 – Budget 2016/17 and Council Tax – General Fund Revenue and Council Tax

Supplementary Paper

1. Paragraph 3.4.4 of the Executive paper stated that the final Grant Settlement figures were expected early February. These figures were received on the evening of 8 February. This paper updates members on the changes and how they impact upon Warwick District Council.

2. Transition Grant

Additional funding by way of transition grant has been introduced for 2016/17 and 2017/18. Warwick District Council's allocations are £39,600 and £39,500 respectively. As yet, there are no details of how this grant has been calculated. This additional grant has been factored into the updated figures discussed below.

3. Removal of the Tariff/Top Up Adjustment (Negative Revenue Support Grant)

Within the provisional settlement, the Council was to be subject to a £240,000 reduction in funding from 2019/20, with many authorities being impacted as soon as 2017/18 or 2018/19. The Tariff/Top Up adjustment funding reduction has been removed for 2017/18 and 2018/19. Whilst the reduction still remains in place for 2019/20, the Minister did indicate the introduction of 100% Business Rates Retention in 2019/20 would mean that the adjustment would not be relevant for that year anyway.

No details are available on how the introduction of 100% Business Rates by local government would work in practice. With 50% of Business Rates currently being retained by Central Government, there will be a shift in some responsibilities from central government to accompany the increased funding. Alongside this, there will be a review of the needs assessment of local authorities, which will result in updating the redistribution of funding between councils.

The £240,000 reduction has been removed for the updated figures discussed below. However, in view of the changes being planned to Business Rates from 2019/20, the figures within the medium term financial strategy are likely to vary significantly to the updated projections, potentially adversely or favourably.

4. Council Tax increase referendum limit

There has been an increase in the Council Tax referendum limit for all districts to the higher of 2% or £5 over the four years (previously it was only districts in the lower quartile for council tax levels).

As discussed in the Executive report, Warwick District Council, under the provisional settlement proposals, was to be one of the most restricted local authorities in terms of its potential to increase council tax by only up to 2%. With all districts now being able to increase council tax by the higher of £5 or 2%, the Council is able to increase its element of the council tax by up to £5. This has been factored in to the updated figures discussed below, with £5 being applied for all four years 2016/17 to 2019/20. The £5 increase has also been modelled from 2017/18, with 2016/17 remaining at the original proposals of 1.99%.

5. Updates projections

Three alternative scenarios have been modelled based on the details of the final Settlement.

Version 1.

- Addition of the 2 year Transition Grant
- Removal of the Tariff / Top Up Adjustment
- No change to the proposed council tax increases, keeping all years to 1.99%

Version 2.

- Addition of the 2 year Transition Grant
- Removal of the Tariff / Top Up Adjustment
- £5 increases in council tax for 2016/17 to 2019/20

Version 3.

- Addition of the 2 year Transition Grant
- Removal of the Tariff / Top Up Adjustment
- £5 increases in council tax for 2017/18 to 2019/20, with only 2016/17 increasing by 1.99% as in the main Executive report.

The impact of these changes is shown on the attached Annex. This shows the "base position" prior to the changes detailed above, where the future savings requirement is £591k as detailed in the Executive report.

	Council Tax increase assumptions	Additional 2016/17 funding	Projected 2020/21 Shortfall(-surplus)
Base position	1.99% all years		£591k
V1	1.99% all years	£40k	£355k
V2	£5 all years	£148k	-£67k
V3	£5 2017/18-2019/20, 1.99% 2016/17	£40k	£42k

6. Savings requirements

It will be noted that Version 2 presents the best overall financial outcome for the Council. Based on all the inherent assumptions (including the savings already factored in to the projections), the Council's further savings requirement within the Medium Term Financial Strategy has been removed from all years.

Version 3 reduces the overall savings requirement, still leaving additional savings to be found in 2017/18.

Version 1, with council tax increases unchanged, the council would still need to find £185,000 savings in 2017/18, increasing to £355,000 by 2020/21.

7 Other Liabilities

Alongside the savings requirement within the Medium Term Financial Strategy, Members are reminded of the other liabilities facing the Council which are not fully budgeted for. These include the work required to the Council's corporate assets, and the multi storey car parks (as detailed in the other report on the Executive agenda).

In addition, as discussed within the Executive report, there remain risks facing the Council's future funding, notably to retained Business Rates. The mandatory Business Rate Relief for NHS Foundation Trusts would cost the Council £150,000 per annum.

8. Other Preceptors

The County and the Police have now agreed their council tax charges for 2016/17. These are shown below:-

	Band D Council Tax	% increase	£ increase
Warwickshire County Council	£1,249.02	3.99%	£47.87
Warwickshire Police and Crime Commissioner	£191.98	1.99%	£3.74

The parish and town council precepts are still being finalised, with the overall increase looking like 3.6%. If the District Council was to increase its element of the Council Tax by £5, this would amount to an increase of 3.41%, this being below WCC in terms of the percentage and monetary increase.

8. Summary

If the Council was to take advantage of the increased ability to raise council tax from 2016/17 by £5, it would place the Council's finances in a much stronger position, with the opportunity for a more sustainable budget.

Mike Snow
Head of Finance
9 February 2016