

MEETING:	COUNCIL
MEETING DATE:	7 MARCH 2014
TITLE OF REPORT:	COUNCIL TAX SETTING
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To approve the council's council tax requirement and set the council tax amounts for each category of dwelling in Herefordshire for 2014/15, including precepts from West Mercia Police, Hereford and Worcester Fire and Rescue Authority and parishes.

Recommendation(s)

THAT:

- (a) Council notes the tax base for 2014/15;**
 - 1) for the whole council area is 64,942.09 band D equivalent properties**
 - 2) for dwellings in those parts of the area to which a parish precept relates as in the attached appendix 1;**
- (b) in respect of council tax for 2014/15 that the following amounts be approved by the council for the year 2014/15 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 (as amended by the Localism Act 2011) :**
 - (i) £331,897,091 being the estimated aggregate expenditure of the council in accordance with section 31A (2) of the act, including all precepts issued**

to it by parish councils;

- (ii) £247,796,013 being the estimated aggregate income of the council for the items set out in section 31A (3) of the act (including Revenue Support Grant);
 - (iii) £84,101,078 being the amount by which the aggregate at (b)(i) above exceeds the aggregate at (b)(ii) calculated by the council in accordance with section 31A(4) of the act, as its council tax requirement for the year (including parish precepts);
 - (iv) £1,295.02 being the amount at b(iii) above divided by the amount of the council tax base calculated by the council, in accordance with section 31B of the act, as the basic amount of its council tax for the year (including parish precepts);
 - (v) £2,837,742 being the aggregate amount of all special items (parish precepts) referred to in section 34(1) of the act;
 - (vi) £1,251.32 being the amount at (iv) above less the result given by dividing the amount at (v) above by the amount of the council tax base calculated by the council, in accordance with section 34(2) of the act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no parish precept relates (Herefordshire Council band D council tax, excluding parishes)
- (c) That the net budget requirement for the 2014/15, excluding parishes, be approved as £146,135,000; and
 - (d) That the council tax requirement for the council's own purposes for 2014/15 (excluding parishes) be approved as £81,263,336; and
 - (e) That the precepting authority details incorporated in appendices 1 to 5, relating to parishes, West Mercia Police and Hereford and Worcester Fire and Rescue Authority be approved in accordance with sections 30(2), 34(3), 36(1) and section 40 of the Local Government Finance Act 1992 (as amended).

Alternative Options

- 1 There are no alternative options; the council is required to set a council tax each year.

Reasons for Recommendations

- 2 Local government legislation requires the council to set a council tax each financial year. It also requires that certain categories of income and expenditure and other financial information are provided in accordance with Local Government Finance Act 1992 (as amended by the Localism Act 2011).

Key Considerations

Summary

- 3 A resolution has to be passed each year by billing authorities in order to be able to collect their council tax. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) sets out the specific amounts to be calculated and approved. The report enables the council to meet its legislative duty, determines the council tax requirement for the authority and sets the council tax for each category of dwelling.
- 4 Herefordshire Council's band D council tax for 2014/15 was approved at the full Council meeting on 7th February 2014 as £1,251.32, which is an increase of 1.9% from 2013/14.
- 5 The parish precepts for 2014/15 total £2,837,742 amounting to an average band D council tax charge of £43.70 (an average increase of 12.4% over 2013/14).
- 6 The precepts for the West Mercia Police and Hereford & Worcester Fire and Rescue Authority are shown in appendices 3 and 4.

Legal Requirements

- 7 The council must set a council tax each year based on a balanced budget. In addition sections 25 to 29 of part 2 of the Local Government Act 2003 (as amended) impose duties on local authorities designed to ensure they make prudent allowance for risk and uncertainties in their budgets and that they regularly monitor their finances during the course of the year.
- 8 Section 25 of the act deals with budget calculations and requires the statutory chief finance officer to report on the robustness of estimates and reserves. This duty was introduced because the council decides on the council tax before the financial year begins and council tax cannot be increased during a financial year. It therefore needs to consider the risks and uncertainties that might force them to spend more than planned. The council has a statutory duty to take the chief finance officer's section 25 report (contained in the report to Council on 7th February 2014) into account when it sets the council tax.
- 9 Whilst local authorities have discretion to make their own judgments on a prudent level of budget and reserves, section 26 of the act contains reserve powers for the government to set a minimum level of reserves. This means that the government has the right to intervene if it thinks a local authority is acting irresponsibly.

- 10 Section 27 of the act requires the statutory chief finance officer to report to council if reserves have dipped below the minimum agreed level when the next budget is set. That report must include suggestions on how to avoid it happening again. The council has not dropped below the minimum level of balance set at £4.5m for the general reserve.
- 11 Sections 28 and 29 of the act deal with budget monitoring issues and make budget monitoring a statutory duty. If monitoring establishes that the budget position has deteriorated, authorities are required to take appropriate action. This might include reducing spending in the rest of the year, increasing income or funding the shortfall from reserves.
- 12 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 require that a named vote is taken when setting the council tax.

Council tax calculations

- 13 The calculation of council tax involves several stages and the Local Government Finance Act 1992 requires figures to be calculated including and excluding parish precepts. The following table demonstrates this requirement is met;

	Herefordshire Council £	Parish Precepts £	Herefordshire incl.parishes (average) £
Estimated Gross Expenditure	329,059,349	2,837,742	331,897,091
LESS Estimated Income	(182,924,349)	Not applicable	(182,924,349)
Net Budget requirement	146,135,000	2,837,742	148,972,742
LESS Revenue Support Grant	(35,811,622)	Not applicable	(35,811,622)
LESS Retained business rates	(22,373,659)	Not applicable	(22,373,659)
LESS Rates Top-up	(6,686,383)	Not applicable	(6,686,383)
Council Tax requirement	81,263,336	2,837,742	84,101,078
Divided by council tax base (Band D equivalent)	64,942.09	64,942.09	64,942.09
Council tax at Band D	£1,251.32	£43.70	£1,295.02

- 14 The net budget requirement line has changed from the previously reported £146.456m to £146.135m as a result of the final local government settlement and a technical adjustment around the rates changes announced by central government. There is an equivalent adjustment to revenue support grant and retained rates, which

means that the council tax requirement and budget proposals remain unchanged from the budget presented at Council on 7th February 2014.

Council Tax amounts

- 15 Appendices 1 to 5 to this report contain the individual council tax amounts for each category of dwelling as required by the Local Government Finance Act 1992 and associated regulations.
- 16 Herefordshire Council's band D council tax for 2014/15 is £1,251.32, which is an increase of £23.33 (1.9%) from 2013/14.
- 17 The parish precepts for 2014/15 total £2,837,742 amounting to an average band D council tax charge of £43.70 (an average increase of 12.4% over 2013/14). The council has passported government grant to parishes totalling £289,000 to offset the reduction in the council tax base arising out of the council tax reduction scheme. The figures shown in the report are net of the grant i.e. the amount to be collected through council tax. Appendix 1 details the parish precept requirement and the band D council tax charge for each parish.
- 18 As part of the process we are required to include precepts from other bodies that will be included on council tax bills.
- 19 Details of the West Mercia Police precept are contained in Appendix 3 (£182.28 at band D).
- 20 Details of the Hereford & Worcester Fire and Rescue Authority precept are contained in Appendix 4 (£75.06 at band D).

Community Impact

21. The council tax is levied to enable the council to resource service delivery in accordance with the corporate plan priorities established by Council.

Equality and Human Rights

22. Equality impact assessments were undertaken as part of the budget process. A detailed cumulative Equality Impact assessment was published demonstrating that the council has paid "due regard" that in making its decisions we have considered the general Equality Duty as required under the Equality Act 2010

Financial Implications

23. These are set out in the report.

Legal Implications

24. Local government legislation requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so members will have authoritative advice available to them when they make their decisions.
25. The recommendations in this report satisfy the requirements of the Local Government

Finance Act 1992 (as amended by the Localism Act 2011). (Also see paragraphs 7 to 12 of the report)

Risk Management

26. Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:
- making prudent allowance in the estimates for services; and
 - ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient

Consultees

27. The budget proposals were considered by General Overview and Scrutiny Committee on 13th January 2014, whose views informed Cabinet's decision on 23 January 2014. The Medium Term Financial Strategy was approved by Council on 7th February 2014.
28. The council has consulted with the public on the proposed budget for 2014/15 and the financial plan 2014/15 to 2016/17.

Appendices

- Appendix 1 - Herefordshire Council requirement by parish, including Band D equivalent.
- Appendix 2 - Council Tax for each valuation band, by parish, without the Police & Fire precepts.
- Appendix 3 – Police Authority precept requirement for each valuation band.
- Appendix 4 – Fire Authority precept requirement for each valuation band.
- Appendix 5 – Council Tax for each valuation band by parish, including the Police & Fire precepts.

Background Papers

- None identified.