

**UPDATE TO REPORT NO. FIN1603 - REVENUE BUDGET, CAPITAL PROGRAMME  
AND COUNCIL TAX LEVEL**

**1. INTRODUCTION**

- 1.1 This report provides an updated General Fund Summary at Appendix 1 and an explanation of changes to the proposed Revenue Budget due to finalisation of the Council's estimates for business rates as set out in paragraph 3.4 of FIN1603.

**2. BACKGROUND**

- 2.1 The NNDR1 is a statutory return containing the Council's agreed business rates estimates for 2016/17 and the estimated surplus or deficit on the collection fund for business rates at the close of 2015/16. The return has now been finalised in accordance with the statutory timetable and under the appropriate delegation. As these estimates are materially different to those contained within the original budget report, it is appropriate to amend the General Fund summary to reflect the revised position and this has been carried out in consultation with the Leader of the Council and the Portfolio holder for Corporate services.

**3. PRINCIPAL CHANGES TO THE ESTIMATES**

2016/17 Business Rates Forecast

- 3.1 While positive local economic growth is reflected in an improved estimate for business rates income for the financial year ahead, this has been offset in part by the provision for appeals against rateable value, which might ultimately affect 2016/17. (The Council is obliged to hold back an amount of the rates collected, in order to make refunds to businesses who appeal successfully to the Valuation Office Agency). The resulting minor improvement in the net position for rates income also leads to a small change in the amount of levy that the Council has to pay to central government, as the Council is only able to keep 50% of the growth in rates above a set baseline.
- 3.2 There has also been a reduction in the amount of section 31 grants due from government, as compensation for various reliefs awarded against business rates. The Autumn Statement made no mention of a number of reliefs that had been introduced in previous years. This was the first indication that these reliefs would not be extended into 2016/17.
- 3.3 The revised figures are highlighted on the attached Appendix and marked A, B and C respectively.

## Surplus or Deficit for 2015/16

- 3.4 The NNDR1 also looks at the expected outturn position for 2015/16 and compares it with the initial estimates for that year; giving rise to either a surplus or deficit. Again, this figure has been significantly affected by the increase to the provision for appeals. With the Valuation Office Agency concentrating on the national revaluation exercise for business rates, a growing backlog of unsettled appeals is forming. In addition, a significant issue relating to valuation methodology for purpose built Doctor's surgeries has been settled for the 2005 business rates list but remains unresolved for the 2010 list. This change would not be caught by restrictions to backdating introduced in the Autumn Statement 2014, and the provision allows for 7 years of refunds at a similar percentage as the settled 2005 appeals. Approximately £2.6m is included within the provision for this issue alone.
- 3.5 Another significant factor has been a large increase in the amount of s44a relief for part-occupation awarded as compared to the original estimate for 2015/16 – an additional £0.6m in relief. This is a temporary situation however, which should result in an improved rateable value for the building (which has been undergoing major refurbishment and remodelling) and subsequent improvement in rates income.
- 3.6 These factors have culminated in a deficit of £361,000 for the collection fund for business rate at the close of 2015/16 (from a previously reported surplus of £279,000) - Figure D on Appendix 1.

## **4. IMPACT ON THE GENERAL FUND**

- 4.1 The total impact of the changes set out above is around £800,000. Given the existing level of savings required to balance the budget in 2016/17 (£900,000) it would not be prudent to seek additional savings within the 2016/17 budget. As outlined in paragraph 4.14 of FIN1603, it is recommended that the Stability and Resilience Reserve is used in the short-term to meet this additional pressure. This is in line with the budget strategy of using this reserve to meet short-term pressures whilst seeking to maximise income and make cost reductions over the medium-term. (Figure E)
- 4.2 Given the continued volatility of the business rates scheme (largely due to the operation of the scheme itself and in particular the appeals mechanism), it will be important to replenish reserves over time in order to carry a sufficient buffer against such movements. Again, this is supported by the Financial Strategy approved at Council in November, which set minimum levels for working balances at 5% of gross expenditure. After taking account of the drawdown from the Stability and Resilience Reserve of £800,000, working reserves will stand at approximately £4.7m at the close of 2016/17, which will be around 5.8% of gross expenditure.
- 4.3 The General Fund balance remains unchanged at £1.5m, comfortably within the approved range.

**5. RECOMMENDATIONS**

- 5.1 Cabinet are requested to approve the revised General Fund Revenue Budget Summary set out in Appendix 1, for recommendation to Council:

**AMANDA FAHEY - HEAD OF FINANCIAL SERVICES/SECTION 151 OFFICER**

## GENERAL FUND REVENUE BUDGET SUMMARY

	Original Estimate 2015/16 £000	Revised Estimate 2015/16 £000	Forecast 2016/17 £000
<b>Net Cost of Services by Portfolio</b>			
1 Corporate Services	986	1,159	1,203
2 Environment and Service Delivery	3,973	3,884	3,245
3 Concessions and Community	1,750	1,898	1,845
4 Health and Housing	1,677	2,170	1,683
5 Business, Safety and Regulation	2,690	2,828	2,921
6 Leisure & Youth	4,509	4,175	4,574
7 <b>PORTFOLIO NET EXPENDITURE</b>	15,585	16,114	15,471
8 Capital Accounting Charges - Reversed	(2,588)	(3,137)	(2,285)
9 Pension Adj/Employee Benefits Reversed	306	225	298
10 <b>NET EXPENDITURE AFTER ADJUSTMENTS</b>	13,303	13,202	13,484
<b>Provisions for Budget Re-structuring:</b>			
11 Reductions in Service Costs/Income Generation	(500)	(387)	(900)
12 Vacancy Monitoring	(315)	-	(315)
13 Variations in Service		5	31
14 Non-recurring Items		19	13
15 <b>Corporate Income and Expenditure</b>	(2,933)	(5,353)	(580)
16 <b>Contributions to/(from) Reserve Accounts</b>	2,358	4,748	135
17 <b>Central Government Funding</b>	(6,799)	(6,612)	(6,246)
18 <b>NET TOTAL EXPENDITURE</b>	5,114	5,622	5,622
19 Contribution to/(from) balances	362	(146)	42
20 <b>COUNCIL TAX REQUIREMENT</b>	5,476	5,476	5,664
<b>REVENUE BALANCES</b>			
21 1 April	1,638	1,638	1,492
22 General Fund Transfer	362	(146)	42
23 31 March	2,000	1,492	1,534

Illustrative CT Levels (£)	184.07	184.07	187.73
CT Base	29,751.47	29,751.47	30,172.66
& CT Increase (%)			1.99

15 <b>Corporate Income and Expenditure</b>			
Interest Receivable	(800)	(849)	(850)
Collection Fund (surplus)/deficit - Ctax	(150)	(150)	(91)
- NNDR	(1,983)	(4,354)	361
<b>Total</b>	(2,933)	(5,353)	(580)

16 <b>Contributions to/(from) Reserve Accounts</b>			
Revenue Contributions to Capital Programme	550	959	550
Revenue Contributions to Improvement Grants	200	200	200
Transfers to CPE Surplus Account	201	162	266
Contributions to/(from) earmarked reserves/prior yr grants	(170)	355	(81)
Contributions to/(from) Service Improvement Fund	-	(307)	-
Contributions to/(from) Stability & Resilience Reserve	1,577	3,379	(800)
<b>Total</b>	2,358	4,748	135

17 <b>Central Government Funding</b>			
New Burdens and other non-ring-fenced grants	-	(34)	(6)
New Homes Bonus	(1,696)	(1,696)	(1,994)
Council Tax Freeze Grants	(61)	(61)	-
Revenue Support Grant	(1,756)	(1,756)	(1,104)
RBC share of rates collected	(18,620)	(18,620)	(19,018)
Tariff payable	15,178	15,178	15,305
Levy /(Safety net )	848	848	904
s31 grants in relation to business rates	(692)	(471)	(333)
<b>Total</b>	(6,799)	(6,612)	(6,246)