

REPORT TO: Cabinet
Council

DATE(S): 3 March 2011

SUBJECT: Council Tax Recommendation 2011/12

WARDS AFFECTED: All

REPORT OF: Margaret Carney
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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To inform Cabinet of the level of levies and precepts set for 2011/12, and to request Cabinet to recommend a Council Tax for 2011/12 to Council.

REASON WHY DECISION REQUIRED:

The Council must set a budget and a Council Tax by 10 March 2011 at the latest.

The Council's Constitution, in accordance with Statute, requires the Cabinet to propose a budget to Council. The Council's budget proposal is contained in the Transformation and Budget report elsewhere on today's agenda. This report relates to the Council Tax increase for 2011/12.

RECOMMENDATION(S):

Cabinet is recommended to:

1. Note the impact of external levies set for 2011/12;
2. Note the precepts set by the Police Authority and the Fire and Rescue Authority for 2011/12;
3. Note the level of Parish Precepts set for 2011/12;
4. Note the capping principles that will that will apply to local authorities budgets for 2011/12.
5. Note the Parliamentary Under Secretary for Communities and Local Government's comments on the Council Tax Freeze Grant.
6. Propose a Council Tax to Council for 2011/12.

KEY DECISION: No, this report does not represent a key decision in itself but it does form an integral part of the budget process for 2011/12, which is a key decision for the Council.

FORWARD PLAN: No

IMPLEMENTATION DATE: Following the expiry of the call-in for this meeting

ALTERNATIVE OPTIONS: There are no alternative options. The Council must set a budget and a council tax by 10 March 2011 at the latest.

IMPLICATIONS:

Budget/Policy Framework: Decisions taken as a consequence of this report will influence the Council's Revenue Budget and Council Tax for 2011/12 and thereby shape the Council's financial plans that year.

Financial: See above.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure	N/a	N/a	N/a	N/a
Funded by:	N/a	N/a	N/a	N/a
Sefton Capital Resources	N/a	N/a	N/a	N/a
Specific Capital Resources	N/a	N/a	N/a	N/a
<u>REVENUE IMPLICATIONS</u>	N/a	N/a	N/a	N/a
Gross Increase in Revenue Expenditure	N/a	N/a	N/a	N/a
Funded by:	N/a	N/a	N/a	N/a
Sefton funded Resources	N/a	N/a	N/a	N/a
Funded from External Resources	N/a	N/a	N/a	N/a
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: The Council is required to set a Budget and Council Tax level by 10 March 2011.

Risk Assessment: None associated with this report. Risks associated with the budget have been identified in the Transformation Programme reports which have been presented to Cabinet.

Asset Management: There are no direct implications contained in the report. However there may be indirect implications which will be assessed as implementation of the budget progresses.

CONSULTATION UNDERTAKEN/VIEWS:

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being		√	
5	Environmental Sustainability		√	
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy		√	
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Levy notification letters received from the following bodies:

- Merseyside Integrated Transport Authority
- Merseyside Waste Disposal Authority
- Environment Agency
- Mersey Port Health Authority
- North Western Inshore Fisheries and Conservation Authority

Precept notification letters from the Merseyside Police Authority and the Merseyside Fire and Rescue Authority.

Precept notification letters received from parish councils:

1. Introduction

- 1.1. The Council is legally required to fix its budget and set a Council Tax for 2010/11 by 10 March 2011. A special budget Council has been arranged for 3 March 2011.
- 1.2. This report provides Cabinet with details of the amounts that will be paid to external levying bodies in 2011/12 and the level of precepts that have been set by the Police Authority, the Fire & Rescue Authority, and Parish Councils.
- 1.3. The report also sets out the capping principles that will apply to local authorities budgets for 2011/12 and clarifies the Government's position with regard to the payment of Council Tax Freeze Grant. Members are asked to note the level of Council Tax increase, above which, the Council will be considered for capping.
- 1.4. Elsewhere on the Cabinet agenda, the latest Transformation report sets out the latest financial position for the years 2011/12 to 2014/15, including the detail of the final proposals to balance the budget for 2011/12. That report includes an assumption of a 0% increase in Council Tax. Whilst the detail of the savings may ultimately vary from this position this report continues to assume a freeze in Council Tax for 2011/12. Consequently, this report recommends a Council Tax for 2011/12 on that basis to this evening's special budget meeting of the Council. Should an alternative Council Tax be approved a revised report will be presented.

2. Levying Bodies

- 2.1. The Council is required to pay levies to a number of external bodies. The final levy amounts to be paid in 2011/12 have been set and their impact on Sefton's budget compared to 2010/11 is shown in the table below:

<u>Levying Body</u>	2010/11 £	2011/12 £	Change £
Integrated Transport Authority	24,304,000	25,773,000	1,469,000
Waste Disposal Authority	12,974,007	12,974,007	0
Environment Agency	148,645	147,584	-1,061
Port Health Authority	99,500	79,500	-20,000
Inshore Fisheries and Conservation Authority	44,802	58,661	13,859
	37,570,954	39,032,752	1,461,798
<u>Associated Funding:</u>			
Concessionary Travel Grant transferred into Formula Grant	n/a	-1,425,000	-1,425,000
Integrated Transport Authority Equalisation payment	0	-252,000	-252,000
New Inshore Fisheries Conservation Authorities Grant	n/a	-13,859	-13,859
Impact on the Budget			-229,061

2.2. The table above reflects the following changes in funding related to levies:

- Funding for the National Concessionary Travel Scheme was paid directly to the Integrated Transport Authority in 2010/11. This funding has been now been transferred into Formula Grant in 2011/12. The Local Government Finance Settlement indicated that Sefton's Formula Grant had been increased by £1.425m to reflect this funding change.
- The Integrated Transport Authority (ITA) Levy is allocated using the latest population estimates. This differs from the way in which the Government calculated the Concessionary Travel Funding transfer which is based on a new Relative Needs Formula. As a result some Merseyside authorities have experienced a larger increase in their levy than the increase in their Formula Grant. The ITA have agreed to make an equalisation payment in 2011/12 to neutralise the impact of the Concessionary Travel Funding transfer and to ensure that those authorities with falling populations receive the benefit of their relative population change.
- Under the provisions of the Marine and Coastal Access Act 2009, Sea Fisheries Committees (SFCs) will be replaced with Inshore Fisheries and Conservation Authorities (IFCAs) on 1 April 2011. The new IFCAs will have a much broader environmental remit than the old SFCs. A new Inshore Fisheries Conservation Authorities Grant will be paid to local authorities in 2011/12 to meet the cost of the IFCAs additional environmental duties. The net impact on the Council's bottom-line budget is therefore zero.

2.3 Members should note that the overall reduction on levies has been included within the budget proposals reported in the Transformation Report elsewhere on the agenda.

3. **Precepts**

3.1 Police and Fire & Rescue Authority Precepts

3.2 The Merseyside Police Authority and the Merseyside Fire and Rescue Authority both met on 17 February 2011 and set their budgets for 2011/12. The resulting precepts and Band D equivalent Council Tax charges for both Authorities are set out below. Both Authorities have frozen their Council Tax; the small variations in their precepts are due to a change in the Council Tax Base:

<u>Precept</u>	2010/11	2011/12	Change	
	£	£	£	%
Police Authority	13,606,740	13,610,490	3,752	0.03
Fire and Rescue Authority	6,027,034	6,028,527	1,493	0.03
<u>Council Tax (Band D)</u>				
Police Authority	146.23	146.23	0.00	0.00
Fire and Rescue Authority	64.77	64.77	0.00	0.00

- 3.3 All Parish Council's have set their precepts for 2011/12. The total level of precepts has decreased from £982,891 in 2010/11 to £973,704 in 2011/12. Details of the precepts and the Band D equivalent Council Tax charge in each parish area are set out below:

	Precept			Band D		
	2010/11	2011/12	Change	2010/11	2011/12	Change
	£	£	£	£	£	£
Aintree Village	125,000	110,000	-15,000	54.90	48.10	-6.80
Formby	40,000	43,000	3,000	4.20	4.54	0.34
Hightown	3,750	3,750	0	4.20	4.22	0.02
Ince Blundel	1,500	1,650	150	7.84	8.48	0.64
Little Altcar	2,500	2,500	0	8.73	8.69	-0.04
Lydiate	149,862	149,862	0	66.63	66.31	-0.32
Maghull	634,279	635,142	863	88.85	88.85	0.00
Melling	18,000	18,000	0	16.46	16.48	0.02
Sefton	3,500	5,300	1,800	15.04	21.49	6.45
Thornton	4,500	4,500	0	5.50	5.49	-0.01
	982,891	973,704	-9,187			

4. Council Tax Capping 2011/12

- 4.1 On 10 February 2011, Bob Neill, the Parliamentary Under Secretary for Communities and Local Government, wrote to Local Authority Leaders informing them of the capping principles that will apply to local authorities budgets for 2011/12. A copy of his letter is attached as Annex A.
- 4.2 A local authority will be deemed to have set an excessive budget and Council Tax if both of the following principles are breached:
- its 2011/12 Budget Requirement is greater than 92.5% of its 2010/11 Budget Requirement, or Alternative Notional Amount where applicable; and
 - its Band D Council Tax in 2011/12 is increased by more than 3.5% compared with 2010/11.
- 4.3 The Government have calculated an Alternative Notional Amount for Sefton of £261,417,000 for 2010/11. Applying the 92.5% rule to this figure gives an indicative Budget Requirement of £241,810,725 for 2011/12.
- 4.4 Sefton's Band D Council Tax was set at £1,266.68 in 2010/11. A 3.5% increase in Council Tax to £1,311.01 would result in a net budget requirement of £247,873,546 (based on the Council Tax Base for 2011/12 of 93,075.91 which was approved by Cabinet on 27 January 2011).

Budget Requirement Calculation	£
Income from Tax Payers (Band D set @ £1,311.01)	122,023,449
Revenue Support Grant	29,815,039
Redistributed Business Rates	96,456,681
Collection Fund Deficit	-430,000
Sefton only (excluding Parish Precepts)	247,865,169

- 4.5 **The calculations shown above indicate that Sefton would be deemed to have set an excessive Budget Requirement if it were to raise its Council Tax by more than 3.5% in 2011/12.**

Council Tax Freeze Grant

- 5.1 Cabinet have previously been informed of the Government's offer to pay a Council Tax freeze grant equivalent to a 2.5% increase in Council Tax to those authorities that freeze or reduce their Band D Council Tax (net of any local precepts) in 2011/12. Bob Neill's letter to Local Authority Leaders on 10 February 2011 included a short information sheet intended to clarifying a number of issues raised by local authorities with regard to the Council Tax Freeze Grant. This can also be seen in Annex A.

- 5.2 In order to clarify the Government's position Bob Neill made the following comments in his letter:

'With regard to the Council Tax freeze, I remind authorities - for the avoidance of doubt - that they must freeze or reduce their Band D Council Tax (net of any local precepts) in 2011/12 in order to receive additional government grant equivalent to a 2.5% Council Tax increase. If an authority increases its basic rate of Council Tax by any amount, it will not be eligible for the freeze grant.'

- 5.3 If Sefton's Band D Council Tax is frozen at £1,266.68 in 2011/12, the Council will receive Council Tax Freeze Grant equivalent to a 2.5% increase in Council Tax, which would be worth £2,947,435 per annum for the next four years. Setting the Council Tax at this level would give rise to a budget requirement of £243,739,114 as shown in the table below:

Budget Requirement Calculation	£
Income from Tax Payers (Band D set @ £1,266.68)	117,897,394
Revenue Support Grant	29,815,039
Redistributed Business Rates	96,456,681
Collection Fund Deficit	-430,000
Sefton only (excluding Parish Precepts)	243,739,114

6. Recommended Council Tax for 2011/12

- 6.1 The Council must set a budget and a Council Tax by 10 March 2011 at the latest. As Members are aware a special budget meeting has been arranged on the 3 March 2011. The Council's Constitution requires the Cabinet to propose a budget to Council. This proposal is contained within the Transformation report elsewhere on the agenda.
- 6.2 Members are asked to note the level of Council Tax Freeze Grant that would be received if Council Tax is frozen in 2011/12, and to note the level of Council Tax increase above which the Council will be considered for capping. Having noted these points and considered the Council's forecast financial position as part of the Transformation, Members are asked to recommend a Council Tax for 2011/12 to this evening's special budget meeting of the Council. The proposed Council Tax for 2011/12 is therefore: -

	£
Sefton	1,266.68
Police Authority	146.23
Fire and Rescue Authority	64.77
Total	<u>1,477.68</u>

7. Recommendations

- 7.1 Cabinet is recommended to:
1. Note the impact of external levies set for 2011/12;
 2. Note the precepts set by the Police Authority and the Fire and Rescue Authority for 2011/12;
 3. Note the level of Parish Precepts set for 2011/12;
 4. Note the capping principles that will that will apply to local authorities budgets for 2011/12.
 5. Note the Parliamentary Under Secretary for Communities and Local Government's comments on the Council Tax Freeze Grant.
 6. Propose a Council Tax to Council for 2011/12.

Letter from Bob Neill MP, Parliamentary Under Secretary, Department for Communities and local Government, 10 February 2011.

Dear Colleague,

COUNCIL TAX INCREASES IN 2011-12 - CAPPING PRINCIPLES

Council tax bills have more than doubled since 1997 and the Government believes that it is about time that the hard pressed council tax payer was given some relief. We have already announced that we are setting aside £650 million so that every local, police and fire & rescue authority can freeze council tax in 2011-12 without hitting local services.

The Government anticipates that authorities will choose to take up the freeze in 2011-12. Nevertheless, should any authority choose not to participate in the freeze scheme and then go on to set an excessive increase, the Government reserves the right to take capping action.

The Secretary of State yesterday made a statement to the House of Commons announcing the capping principles that will apply in 2011-12. These are that an authority's budget requirement in 2011-12 will be excessive **if**:

- **its 2011-12 budget requirement is greater than 92.5% of its 2010-11 budget requirement, or Alternative Notional Amount where applicable; and**
- **its Band D council tax in 2011-12 is increased by more than 3.5% compared with 2010-11.**

Different principles will apply to the Greater London Authority, Central Bedfordshire Council and Shropshire Council. This is because those authorities calculate their council tax in different ways from other authorities. However, I can confirm that the policy aim of the capping principles for 2011-12 is the same for all authorities. The attached Written Ministerial Statement sets out full details of the principles.

On 9 February, "The Limitation of Council Tax and Precepts (Alternative Notional Amounts) Report (England) 2011/12" was approved by the House of Commons. The Report includes alternative notional amounts for 2010-11 for all authorities other than fire and rescue authorities. Where applicable these alternative notional amounts will be used when comparing an authority's budget requirement in 2010-11 with its budget requirement in 2011-12. The report can be found at:

<http://www.local.communities.gov.uk/finance/1112/anarpt.pdf>

The Localism Bill includes provisions to abolish capping and instead introduce referendums to allow local people to approve or veto excessive council tax increases.

It is expected that these provisions will come into force from 2012-13 onwards. Decisions on council tax increases in 2011-12 remain a matter for each individual authority. Nevertheless, I trust that this letter makes clear the context within which these decisions should be taken.

Council tax freeze

With regard to the council tax freeze, I remind authorities - for the avoidance of doubt - that they must freeze or reduce their Band D council tax (net of any local precepts) in 2011-12 in order to receive additional government grant equivalent to a 2.5% council tax increase. If an authority increases its basic rate of council tax by any amount, it will not be eligible for the freeze grant. An information sheet, which addresses a number of issues raised by authorities' is attached at **below**.

BOB NEILL MP

COUNCIL TAX FREEZE: CLARIFICATION OF ISSUES RAISED BY AUTHORITIES

Eligibility for the scheme

The broad intention is that an eligible authority that freezes or reduces its Band D council tax in 2011-12 will receive an additional grant equivalent to them having set a 2.5% increase from their 2010-11 level. Specifically, the scheme refers to Band D council tax as an authority's basic amount of council tax.

Special expenses

All special items (other than parish precepts) are included in an authority's basic amount of council tax. Therefore, the average of all an authority's special items (including its special expenses) over the whole of its area is the amount that will be used to judge eligibility for the grant.

Parishes

The scheme will not apply to local precepting authorities. There are some 10,000 town and parish councils in England and the Government does not consider it practical or efficient to introduce a system for allocating Central Government grants to the parish sector. The Government also has no power either to pay grant directly to local precepting authorities or to another authority to pass on to them.

Payment of grants over the Spending Review period

Any grant paid to an authority for freezing or reducing its council tax in 2011-12 will be matched exactly in each subsequent year of the Spending Review to compensate for the income foregone for a freeze. Authorities will not have to continue to freeze or reduce their council tax from 2012-13 to continue to receive this grant.

How to accounting for the freeze grant

Although eligible authorities will wish to take into account the additional income from the grant when setting their budgets, it should be treated as a specific grant within Aggregate External Finance, and thus does not need to be shown in the authority's Budget Requirement (BR) form.

WRITTEN PARLIAMENTARY STATEMENT ON 9 FEBRUARY 2011

Council Tax

The Secretary of State for Communities and Local Government (Mr. Eric Pickles):

On 13 December, I indicated that when the House debated the final local government finance report I would set out council tax capping principles that will apply to local authorities' budgets for 2011-12. I am therefore now informing the House that I will consider an authority to have set an excessive increase if:

- a) the amount calculated by the authority as its budget requirement for 2011-12 is more than 92.5% of-
 - (i) the authority's alternative notional amount; or
 - (ii) where no such amount has been specified for the authority, the authority's budget requirement for 2010-11; and
- b) (b) the amount calculated by the authority as its band D council tax for 2011-12 is more than 3.5% greater than the same amount calculated for 2010-11 (except see below).

Different principles will apply to the Greater London Authority (GLA), and to the Councils of Central Bedfordshire and Shropshire. The reasons for this are-

- in the case of the GLA, because the authority calculates its council tax in a different way from other authorities², and
- in the case of Central Bedfordshire and Shropshire, because the authorities set their basic amounts of council tax for 2010-11 under part 4 of the Local Government (Structural Changes) (Finance) Regulations 2008³ and may do so again for 2011-12.

My officials will write to these three authorities separately with further technical details about how the principles applicable to them will operate. However, I can confirm that the policy aim of the capping principles for 2011-12 is the same for all authorities and that the principles for the GLA, Central Bedfordshire and Shropshire are designed to ensure that appropriate comparisons can be made between the Band D council tax set by those authorities in 2010-11 and 2011-12.

I am this year announcing these principles before the dates by which authorities have to set their budgets. This contrasts with the approach of the previous Government, which always required authorities to wait and see whether the council tax they had set would be considered excessive by reference to principles not decided until after the deadlines for setting their budgets had passed.

Moving forward, the Government intends to end the capping regime and replace it with a more democratic and localist measure to allow local residents to veto excessive council tax rises via a local referendum.