

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet

DATE: 19th December 2022

SUBJECT: 2023/24 & 2024/25 Council Tax

CHIEF OFFICER: Steven Mair, Executive Director of Finance and Commercial (s151 Officer)

CONTACT OFFICER: Liton Rahman

WARD(S): All Wards

PORTFOLIO: Cllr Anderson – Financial Oversight and Council Assets

KEY DECISION: No

EXEMPT: No

DECISION SUBJECT TO CALL IN: No

APPENDICES: None.

1 Summary and Recommendations

1.1 This report sets out the announcement made by Department of Levelling Up, Housing and Communities (DLUHC), as part of the Autumn Statement, in regard to the permissible increases to Council Tax over the next two financial years and options available to the Council.

Recommendations:

Cabinet is recommended to:

- i. Agree to approval being sought from DLUHC for the Council to have the option of increasing Council Tax above the referendum limits in each of the next 2 financial years (2023/24 and 2024/25) without a referendum
- ii. Delegate authority to the Chief Executive, after consultation with the Section 151 officer, the Leader of the Council and the Lead Member for Finance, to submit an application to DLUHC in early January 2023, including agreeing the percentage increase in Council Tax
- iii. Delegate authority to the Chief Executive, in consultation with the Section 151 officer, the Leader of the Council and the Lead Member for Finance, to design and consult on a revised Council Tax Support Scheme
- iv. Note that the final decision on any increase to council tax will either be made by direction of the Secretary of State or by Full Council, if the Secretary of State does not make a direction and the final decision on a revised Council Tax Support Scheme will be made by Full Council.

Reason:

The range and extent of the financial issues facing the Council have been well documented and reported to Cabinet in the last 17 months. The Council applied for and received a 'minded to' capitalisation direction of £307m to 31/3/23. To 2028/29 this total would have risen to £474m after allowing for annual revenue savings of £20m. The Council also modelled a scenario based on delivering a reduced amount of annual revenue savings which would have meant the capitalisation direction would have had to increase further and allowing for MRP on that would have totalled an estimated £782m.

Due to the Council's financial strategy starting to come to fruition it is currently estimated that the overall capitalisation direction could be reduced from a potential total of £782m to £369m.

The Council is thus beginning to see the potential benefit and the outcome of the strategy adopted. However, it leaves the Council with a very large and challenging capitalisation direction of £369m and the need to make circa £14m annual recurrent estimated revenue savings through to 2028/29. Such a sum will undoubtedly be a major challenge for the Council

In light of these challenging financial issues and the current uncertainty around the economy and local government finances, above referendum increases to Council Tax would be an option to help address the financial situation and help ensure the Council's financial sustainability

The local government financial settlement is expected to be received week commencing 19th December and the Council has been advised the submission has to be made to DLUHC week commencing 2nd January to allow DLUHC time to consider the matter

This option has been discussed with the Commissioners whose comments are shown below

Comments of Commissioners:

Commissioners note this report and intend to make any observations direct to Ministers when an application for a referendum waiver is submitted.

2 Report

Options considered

- 2.1 In light of the Council's major financial challenges the Council will need all forms of funding it can secure to help balance its budget. One option is to seek an increase in Council Tax over the current limit through a referendum on this, an alternative is to seek authority from DLUHC to increase the Council Tax without a referendum. The third option would be to keep any Council Tax increases at the prescribed level.

Background

- 2.2 Local authorities, fire authorities, and Police and Crime Commissioners are required to determine whether the amount of council tax they plan to raise is 'excessive'. The Secretary of State sets thresholds of excessiveness, known as 'referendum principles', for different classes of authority. Since 2016-17, these thresholds have also included a 'social care precept', providing higher thresholds for authorities with social care responsibilities.
- 2.3 The Autumn Statement, published by DLUHC on 17th November 2022, proposed increases to the referendum limits for Council Tax from April 2023:
- core threshold will increase from 1.99% to 2.99%
 - local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year.
- 2.4 This means that local authorities are able to increase Council Tax by up to 4.99% from April 2023 without the need for a referendum.
- 2.5 Any authority proposing an increase in council tax above this limit must hold a local referendum and obtain a 'yes' vote before implementing the increase. Authorities must also make substitute calculations, based on a below referendum increase to council tax.
- 2.6 An alternate option for authorities in regard to Council Tax increases is to apply for a direction from DLUHC. If granted, this would require the authority to increase Council Tax to a certain limit over the referendum limit.
- 2.7 If this is an option that is pursued, then the Council Tax Support Scheme will also be reviewed to ensure support is provided for residents.
- 2.8 It is intended that the Leader of the Opposition will also be consulted on the proposed communication

3 Implications of the Recommendation

1.1. Financial implications

- 3.1.1 The financial implications will depend on the increase sought and agreed but as a guide each 1% increase in Council Tax generates circa £600k of income

1.2. Legal implications

1.2.1. Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. This requires consideration of the Council's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund. The Council is required to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget.

1.2.2. Section 52ZB of the 1992 Act states that a billing authority must determine whether its relevant basic amount of council tax for a financial year is excessive and this must be determined in accordance with a set of principles determined by the Secretary of State for the year. If a local authority intends to determine a basic amount of council tax that is excessive it must also determine a substitute amount and must make arrangements to hold a referendum, which must be no later than the first Thursday in May in the financial year or such other date at the Secretary of State may specify, such order to be no later than 1 February in the preceding year, or for more than one financial year, 1 February in the year preceding the first of those years. If a majority of the voting electorate approve the basic amount, the calculations for that amount will continue to have effect, however if the majority do not approve, the substitute calculations will apply. If the Council fails to hold a referendum and has not made any substitute calculation, the Council is not permitted to transfer any amount from its collection fund to its general fund until it makes a substitute calculation. Council officers are not aware of any authority who has held a referendum. The costs of the referendum will be met by the Council and there is a strong likelihood that the voting electorate will vote against the basic amount requested.

1.2.3. Section 52ZR provides that the Secretary of State may give a direction to an authority other than the Greater London Authority if it appears to the Secretary of State that, unless the authority's council tax calculations are such as to produce a relevant basic amount of council tax that is excessive, the authority will be unable to discharge its functions in an effective manner, or the authority will be unable to meet its financial obligations. The effect of such a direction is that the referendum provisions do not apply. The authority does not have to have carried out its council tax calculations for the financial year or have set a council tax for the direction to apply. The direction must state the amount that is to be the billing authority's council tax requirement for the financial year and the amount is to be treated for all purposes as the amount calculated by the billing authority under section 31A above.

- 1.2.4. The 1992 Act also requires local authority to agree a council tax support scheme. Schedule 1A sets out the requirements for revising the scheme. For each financial year, a billing authority must consider whether to revise its scheme or to replace it with another scheme. Revisions must be made no later than 11 March in the preceding year and must be approved by Full Council. Before revising a scheme, the authority must publish a draft scheme in such manner as it thinks fit and consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 1.2.5. Local authorities owe a fiduciary duty to Council taxpayers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of Council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 1.2.6. Cabinet and full Council should have regard to the advice and comments of the Commissioners contained in this report.
- 3.2.7 On 1st December 2021, the Secretary of State issued Directions to Slough Borough Council under Section 15(5) and (6) of the Local Government Act 1999. Annex B of the Directions provides that Commissioners shall exercise... The requirement from Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authorities financial affairs, and all functions associated with the strategic financial management of the Authority. This Direction included as d) the power to amend budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty.

1.3. Risk management implications

Category	Risks/Opportunities	Mitigation	Additional Controls
C Tax set at no more than the prescribed limit	Given the level of financial uncertainty and current service pressures, there is clearly a risk that the current and future year's budgets may prove difficult to deliver without additional income from Council Tax to bridge some of the budget gap	This risk is being mitigated by trying to ensure that budget estimates are realistic and reflect current activity, along with known demographic and economic pressures. Including: The ability to contain demographic demand pressures; Adverse interest rate movements; Increased inflationary pressures;	Budget monitoring process and regular reporting on achievement of budget and savings
C Tax above the prescribed limit with a referendum	Holding a referendum would require organisation and costs associated with publicity, expenses, logistics, officer time etc. It is not known to	Further savings from the revenue budget could be sought to finance these costs	

Category	Risks/Opportunities	Mitigation	Additional Controls
	<p>what value these costs may occur</p> <p>Income from such an increase would reduce some pressure on the Council's revenue budget</p> <p>If not successful the potential income not gained would have to be addressed by other means</p>	<p>Further savings from the revenue budget could be sought to finance this gap</p>	
C Tax above the prescribed limit without a referendum	<p>The Secretary of State may be advised/choose not to support such an application</p> <p>Income from such an increase would reduce some pressure on the Council's revenue budget</p> <p>Any increase in Council Tax may prove challenging for individuals to afford potentially leading to a reduction in the collection rate.</p>	<p>Further savings from the revenue budget could be sought to finance this gap.</p> <p>Reviewing and amending the council tax support scheme will allow consideration to further support to those who are struggling to pay their council tax.</p>	

1.4. Environmental implications

1.4.1. Not Applicable

4. **Background Papers**

4.1 Financial Action Plan Update, Cabinet – 21st November 2022