

Report of:	Head of Finance
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Portfolio Leader:	Leader of Council
Key Decision:	No
Report Track:	Council: 16/02/16

COUNCIL
16 FEBRUARY, 2016
2016-17 TO 2018-19 BUDGET UPDATE - RUGELEY POWER STATION & LOCAL
GOVERNMENT SETTLEMENT

1 Purpose of Report

- 1.1 To update Members on the impact of the closure of Rugeley Power Station and the changes arising from the announcement of the Final Local Government Finance Settlement for 2016-17.
- 1.2 To provide a revised General Fund Revenue Budget (replacing Table 8 of the Cabinet Report dated 1 February) and Business Rates Retained Income (Appendix 5 of the above report).

2 Recommendations

- 2.1 That Council notes the changes to the General Fund Revenue Budget and Business Rates Retained Income as contained in the report.
- 2.2 That subject to 2.1 no changes are made to the Council Tax requirement as reflected in the recommendations of Cabinet (Agenda item 9 of Councils Agenda).
- 2.3 That Council is recommended to offset any shortfall in business rates income to the council by a transfer from working balances in 2016-17.

3 Key Issues and Reasons for Recommendation

- 3.1 Cabinet at its meeting of the 1 February, 2016 made its recommendations to Council in relation to the 2016/17 budget.
- 3.2 Two announcements have been made since that date relating to a) the expected closure of Rugeley Power Station and b) the Final Local Government Settlement.

- 3.3 The expected closure of Rugeley Power Station has a material impact on the income to be retained by the Council from Business Rates and will amount to over £1 million in a full year.
- 3.4 A great deal of uncertainty still exists in relation to the funding of the Council post 2016-17 and it is therefore proposed that a contribution from Working Balances is used in 2016-17 to offset the anticipated shortfall in the year.
- 3.5 The impact of the closure is reflected in the revised General Fund Draft Budget 2016-17 to 2018-19 (Table 8); the revised income from Business Rates (Appendix 5) and Working Balances Forecast (Table 10) . All tables /etc. replace the Tables as contained in the original report considered by Cabinet.
- 3.6 The Final Local Government Finance Settlement was announced on the 8 February 2016. The settlement contains no changes to the level of Government Support to this Council however the option to increase Council Tax by the maximum of £5 or 2% does exist for all district councils.
- 3.7 No changes are however proposed to increase Council Tax by more than the 1.95% as contained in Cabinets recommendations.

4 Relationship to Corporate Priorities

- 4.1 The revenue budget and capital programme reflect the Council's priorities.

5 Report Detail

- 5.1 Engie the joint owner, with Mitsui & Co Ltd, of Rugeley Power Station announced on the 8 February 2016 that Rugeley Power Station is expected to cease market operations in early summer 2016 due to the deterioration in market conditions for UK coal fired power stations.
- 5.2 Rugeley Power Station (RPS) currently has a Rateable Value of £7.85 million representing nearly 9% of Business Rates for the District. The Business Rates payable for 2016-17 are estimated to be £3.9 million.
- 5.3 The Council in accordance with the Business Rates Retention scheme can retain/ is liable for 40% in any change in rateable value with the Government being responsible for 50%; Staffordshire County Council (9%) and Staffordshire Fire Authority (1%).
- 5.4 The Council is however in a growth position in terms of Business Rates. The Council's retained income prior to the closure announcement was expected to be £4.275 million with a funding baseline of £2.786 million; hence any business rates above the Councils Baseline is subject to a 50% levy reducing the retention liability to 20%

- 5.5 The Council is a member of the Greater Birmingham and Solihull Business Rates Pool that enables the levy to be retained by the pool rather than the Government. The Pool's current distribution methodology currently enables the Council to receive 32.5% of its levy (amounting to 6.5% of the growth/contraction element.)
- 5.6 The net impact in retained funding of the closure for this Council in a full year therefore amounts to £1,033,500 (26.5% of RPS Business rates) and represents 8.3% of this Council's net spending.
- 5.7 A safety net exists within the Business Rates Scheme to protect local authorities whose business rate decreases however the protection is only equal to 92.5 % of its Business Rates Baseline. The Business Rates Income before levy is now expected to be £2.715 million as compared to the Safety Net guaranteed income from Business Rates of £2.578 million hence the Safety Net will not apply to Cannock Chase Council.
- 5.8 It is not possible at this stage to determine the exact financial impact in 2016/17 due to a number of reasons. The closure is potentially expected in June 2016 resulting in a loss of 9/12 of income in 2016/17. The power station is however effectively still capable of generating power and unlike other Power stations will not have exceeded its regulated operational hours. Typically sites rateable values reduce by 90% when not capable of operating pending demolition etc.
- 5.9 The worst case scenario is a loss of some £700,000 for 2016-17 rising to the £1,054,750 in 2017-18(including inflation). A revised Business Rates Forecast is attached as Appendix 5.
- 5.10 In accordance with Paragraph 6.6 (of the Cabinet Report) Working Balances as at 31 March 2016 are expected to be £1.472 million some £774,000 in excess of the Minimum required. The revised General Fund Budget therefore utilises Working Balances to offset the shortfall in business rates income.
- 5.11 The Department for Communities and Local Government announced the Final Local Government Finance Settlement on the 8 February 2016.
- 5.12 The settlement contains no changes to the determination of the Spending Assessment but has made three changes of a transitional nature as follows:-
- Rural Services Delivery Grant increased in 2016/17 and 2017/18
 - Transitional grant awarded in 2016/17 and 2017/18 for the councils most adversely affected by the change in revenue support grant.
 - Removal of additional tariff / top-up adjustment (no negative RSG) in 2017/18 and 2018/19.
- 5.13 The Council is however not subject to any of the above changes and the settlement is as previously indicated.
- 5.14 Changes have however been made to the Council Tax Referendum threshold enabling all District Councils to increase Council Tax by the maximum of £5 or 2%.

- 5.15 The recommended budget to Council includes a 1.95% increase amounting to a £3.92 increase for a Band D property.
- 5.16 The implementation of a £5 increase would generate an extra £29,400 in 2016/17 and equates to a 2.49% increase.
- 5.17 The Table below replaces Table 8 of the original report and reflects the change in Business Rates Retention only and maintains council tax in line with the original 1.95% increase.

Table 8 Revised :General Fund Draft Budget 2016-17 to 2018-19			
	Budget	Budget	Budget
	2016-17	2017-18	2018-19
	£'000	£'000	£'000
Net Expenditure			
Portfolio budgets	12,060	11,808	12,461
Investment interest	-130	-90	-90
Technical items	453	418	400
Actuarial Reserve		-140	
Transfer from Working Balances	-700		
Net Spending	11,683	11,996	12,771
Less: Government Grants			
NNDR Multiplier	-40	-40	-41
Council Tax Freeze Grant			
New Burdens Funding			
New Homes Bonus	-1,403	-1,417	-1,107
Budget Requirement	10,240	10,539	11,623
Financing			
Collection Fund surplus	-23		
Business Rates	-3,417	-2,971	-3,030
Revenue Support Grant	-1,406	-776	-384
Council Tax Income	-5,563	-5,726	-5,901
Total Financing	-10,409	-9,473	-9,315
Transfer to Working Balances	169		
Transfer from Working Balances		1,066	2,308

- 5.18 A great deal of uncertainty exists post 2017-18 with New Homes Bonus subject to consultation and Business Rates subject to both reform and 100% retention by local government? Although no account has been taken of the impact of the

proposed Mill Green development, the current forecast shortfall is unprecedented for this authority.

- 5.19 The Council will be in a unique position of seeing its overall funding being reduced by 22% by 2018/19 but not being subject to any interim funding support. Transitional funding is currently available to those Councils most adversely affected by the change in Revenue Support Grant; the safety net exists for the Business Rates Baseline of the Spending Assessment and the New Homes Bonus Consultation is considering the merit of providing protection for those who may face an adverse impact from the changes to New Homes Bonus Funding.
- 5.20 In light of this the Council intends to raise the combined impact of loss of Rugeley Power Station; Revenue Support Grant and New Homes Bonus with the Government as a priority.
- 5.21 The current budget provides for savings of £135,000 per annum as a result of utilising £1.5 million of the Revenue Contribution to Capital Outlay Reserve to reduce the Capital Financing requirement in 2017/18. This proposal is to be reviewed during 2016 and a re-assessment undertaken of the Capital Programme to determine whether alternative finance is available and the requirement to maintain a prudent level of working balances.
- 5.22 The current forecast of working balances before remedial action is taken is as follows:-

Table 10 : Level of Working Balances				
	31/03/16	31/03/17	31/03/18	31/03/19
	£m	£m	£m	£m
Balance B/fwd.	1.249	1.472	0.941	-0.125
Applied in Year	0.223	-0.531	-1.066	-2.308
Balance C/fwd.	1.472	0.941	-0.125	-2.433
Minimum	-0.698	-0.681	-1.032	-1.01
Surplus / (Deficit) to Support Budget	0.774	0.260	(1.157)	(3.443)

6 Implications

6.1 Financial

The Financial Implications have been referred to throughout the report.

6.2 Legal

The Legal Implications have been referred to throughout the report.

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None

6.8 Equality & Diversity

None

6.9 Best Value

None

7 Appendices to the Report

Appendix 5 Business Rates Retained Income (Revised)

Previous ConsiderationGeneral Fund Budget and Capital
Programme 2016-17 to 2018-19

Cabinet

1 February, 2016

Background Papers

				Revised Appendix 5		
				16/02/2016		
Business Rates Retention - Retained Income						
				2016-17	2017-18	2018-19
				£	£	£
A. Business Rates Collection Fund						
Gross Rates				-40,124,280	-38,985,530	-39,765,060
Less	Reliefs etc.					
	Mandatory Relief			3,444,100	3,512,970	3,583,240
	Discretionary relief			91,670	93,510	95,380
	Exemptions			620,050	632,460	645,110
	Cost Of Collection			140,970	143,790	146,670
	Losses on collection			1,232,280	1,256,920	1,282,060
Business Rates Collectable				-34,595,210	-33,345,880	-34,012,600
Less	amount due to					
	Government			17,297,610	16,672,940	17,006,300
	County			3,113,570	3,001,130	3,061,130
	Fire			345,950	333,460	340,130
Net Business attributable to CCDC				-13,838,080	-13,338,350	-13,605,040
B. General Fund determination of retained Business Rates						
Net Business Rates attributable to CCDC				-13,838,080	-13,338,350	-13,605,040
less	Tariff			10,616,370	10,828,700	11,045,270
	Core Funding			2,786,330	2,842,060	2,898,900
	Growth			-435,380	332,410	339,130
Plus	New Burdens funding subject to Levy					
	Small Business Rates Relief			-516,730	-527,060	-537,602
	Retail relief			0	0	0
Amount subject to levy				-952,110	-194,650	-198,472
	Levy			476,055	97,325	99,236
Business Rates Growth				-476,055	-97,325	-99,236
GBS Business Rates Pool Distribution				-154,720	-31,630	-32,250
Retained Business Rates						
	Core Funding			-2,786,330	-2,842,060	-2,898,900
	Growth			-476,055	-97,325	-99,236
	GBS Business Rates Pool Distribution			-154,720	-31,630	-32,250
				-3,417,105	-2,971,015	-3,030,386
Business Rates				-3,262,385	-2,939,385	-2,998,136
GBS Business Rates Pool Distribution				-154,720	-31,630	-32,250
				-3,417,105	-2,971,015	-3,030,386