

## ANGUS COUNCIL

## SPECIAL BUDGET MEETING OF ANGUS COUNCIL – 15 FEBRUARY 2018

REVENUE & CAPITAL BUDGETS 2018/19 -  
SETTING OF THE COUNCIL TAX

## REPORT BY HEAD OF CORPORATE FINANCE

**ABSTRACT**

The purpose of this report is to explain the further steps that require to be taken with regard to the setting of the Council Tax charge for Angus Council in respect of the financial year 2018/19.

**1. RECOMMENDATIONS**

It is recommended that the Council: -

- i) Approve the 2018/19 net estimated revenue expenditure of £257.667 million for Angus Council attached at **Appendix 1**;
- ii) Agree that an allowance of 2% for non-collection of the Council Tax be used in the tax setting calculations;
- iii) Agree the 3% budgeted increase in Council Tax and agree the 2018/19 Council Tax payable at Band D; and
- iv) Agree the approach to use of and earmarking of General Fund Balances as set out in Section 5.

**2. ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT**

- 2.1 This report contributes as a whole to the local outcome(s) contained within the Council Plan and Local Outcome Improvement Plan. The Budget including savings and investment proposals has been developed on a basis which seeks to reflect the Council's priorities and those outcomes the Council as a partner within the Community Planning Partnership is trying to deliver.

**3. BACKGROUND**

- 3.1 The background surrounding the preparation of the 2018/19 revenue budget has been reported, inter alia, within Report No 60/18. This report provided background on the development of Angus Council's revenue budget for 2018/19.
- 3.2 The Provisional Revenue and Capital Budgets 2018/19 Background Report (60/18) outlines that budget savings from the Change Programme totalling £6.747 million are anticipated. In addition to this a sum of £5.558 million has been drawn down from the uncommitted General Fund Balance, as a one-off corporate measure to help balance the budget and fund one-off budget issues of £3.241m.
- 3.3 Angus Council's net estimated expenditure for 2018/19 will be £257.667 million after removal of the proposed budget savings, addition of budget issues (£1.775 million) and contributions to/from General Fund Balances and Special Funds (**see Appendix 1**). The deduction of £205.259 million of Revenue Grants from Scottish Government leaves a balance of £52.408 million to be funded from Council Tax charges.
- 3.4 The remainder of this report outlines the main financial considerations and the steps necessary to set the Council Tax charge.

#### 4. COUNCIL TAX BASE AND LIMITS ON TAX INCREASES

- 4.1 The latest Council Tax Base estimate figure for Angus Council has increased the Band D Equivalent properties from 45,864 (per Council Tax Setting Report 61/17) to 46,082, an increase of 218. This increase would generate additional Council Tax income of circa £0.248 million. (218 \* £1.104.16 (current Band D)).
- 4.2 The council tax freeze was removed in April 2017 and Councils are allowed to increase council tax by a maximum of 3% per annum if they so choose. The Scottish Government has given no indication of the consequences of a Council going beyond a 3% increase since this is seen as part of the overall Government funding package on offer to local authorities. Consequences may include a reduction in the Council's grant allocation or the Government using its reserve powers to cap the Council's expenditure if it believes that expenditure to be excessive.
- 4.3 An assessment of a 3% increase in Council Tax has concluded that applying a 3% increase together with the increase in the tax base would generate additional Council Tax of £1.767 million. (£1.519 million for the 3% increase and £0.248 million in relation to an increase in the Council Tax Base). The 3% increase calculation is attached as **Appendix 2**. It should be noted that the total increase of £1.767 million has already been assumed as one of the identified means of balancing the budget in report 60/18.

#### 5. MAIN FINANCIAL CONSIDERATIONS

##### 5.1. Use of General Fund Balances

The General Fund uncommitted balance at 31 March 2017 was £0.334 million and £0.108 million was approved to be used towards the cost of recycling centres in 2017/18, leaving a balance of £0.226 million. This uncommitted balance position is after allowing for an earmarked contingency sum of around 1.6% of the net revenue budget (£4.0 million) and it is considered prudent to continue with this position to address any significant one-off issues which may arise during the course of the current and forthcoming financial year. This contingency sum will also provide a suitable financial base for future years as part of the Council's medium term budget strategy.

The latest revenue budget monitoring report to the Policy & Resources Committee on 30 January 2018 (committee report 28/18 refers) reported a projected adjusted underspend for 2017/18 (after allowing for approved earmarked monies) of £2.780 million which would flow into the General Fund Balance at the year end. However a number of unavoidable carry forward requests which propose to re-use some of that underspend have been received from Directorates. Some £0.279 million of resources which require to be carried forward have been recommended for approval and details can be found in report 50/18.

Officers have reviewed resources earmarked (set aside) in reserves for future use and have concluded that £1.093 million of these are no longer required on a priority basis. De-committing these resources means they can be used to balance the 2018/19 revenue budget.

During the year the Angus Health & Social Care Partnership confirmed that £0.600 million provided by the Council towards severance costs in 2017/18 was no longer required so this has now been returned to the General Fund Balance.

A review has also been undertaken of the capital programme and this has identified a sum of £3.968 million to help balance the 2018/19 revenue budget. £2.306 million of this is currently earmarked in the General Fund Balance and £1.662 million of this is in the projected 2017/18 capital financing costs underspend.

As noted in report 60/18 the Council has received a one-off revenue receipt of £2.766 million through the new residual waste disposal contract. Based on the recommendations in report 60/18 the £2.766 million will be earmarked for future use in the General Fund Balance at 31 March 2018 with proposals on such future use coming to Council during 2018/19..

After allowing for all of the above adjustments a combined uncommitted balance over and above the £4m contingency of £8.188 million is currently projected on the Council's General Fund by 31 March 2018. As outlined in Report 60/18 it is necessary to use £5.558m of this to help balance the 2018/19 Revenue Budget with some £3.231m of this being used to meet one-off budget issues and to provide for one-off severance costs. A £0.2m contribution to the Change Fund is also proposed as part of the budget package.

After allowing for the £5.558 million contributions from the General Fund Balance an estimated uncommitted balance of £2.630 million would remain on the Council's General Fund. Given the significant future financial challenges facing the Council it is recommended that this sum be held uncommitted for the time being.

Report 60/18 recommended that the capital receipt of £0.932 million received for the sale of land near Monifieth be transferred to the Local Capital Fund.

It should be borne in mind, however, that the projected year-end position cannot be assessed with certainty until the 2017/18 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund at the end of 2017/18 will undoubtedly be in excess of the uncommitted sum noted above on the basis that it will include a number of explicit expenditure commitments into 2018/19 such as budget carry forwards and earmarked resources. In addition, experience has shown that projected outturn estimates can potentially change significantly in the last two months or so of the financial year depending on prevailing weather conditions, particularly in respect of roads winter maintenance, heating costs, and so on.

### 5.3 Council Funds and Balances

In light of the current financial climate the importance of sustaining a sufficient reserve position is pivotal to the financial framework of the Council given the very tight budgets which have had to be set for Council departments and the inherent risk therein.

The Council currently holds various earmarked reserves within General Fund balances as part of the Council's longer-term financial management strategy. These reserves give the Council a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls where insufficient current revenue or capital budget provision may exist. In accordance with the Chartered Institute of Public Finance and Accountancy's LAAP Bulletin 99 "Local Authority Reserves and Balances" as issued in July 2014 a Statement of Earmarked Reserves is attached at **Appendix 3**. This statement provides details of the various earmarked reserves the Council holds, the purpose of each reserve and the anticipated balance on each reserve as at 1 April 2017. Recommendations regarding the replenishment or draw down from these various funds and reserves are provided in Annex A to **Appendix 3**. This information is provided to help inform decisions with regard to the level of contributions to be made to / from reserves and balances.

### 5.4 Allowance for Non-Collection of Council Tax

An element of non-collection of Council Tax will exist and it is considered prudent to make a 2% non-collection allowance. The allowance for non-collection agreed by the Council last year in setting the 2017/18 Council Tax was also 2%.

### 5.5 Balance of 2018/19 Estimated Net Expenditure to be met from Council Taxes

A more detailed analysis of the estimated net expenditure to be met from Council Taxes is set out in the Council Tax Calculation Statement attached at **Appendix 4**. A summary is given in the table 1 below:

**Table 1 –Council Tax Calculation**

	<b>£ m</b>
Net Expenditure (per Appendix 1)	263.225
<u>Deduct</u> : Total Revenue Grants from Scottish Government	(205.259)
Net Expenditure to be met by Council Tax (Before Balances & Funds)	57.966
<u>Deduct</u> : Contribution to / (from) General Fund Balances	(5.558)
<b>Net Expenditure to be met by Council Tax</b>	<b>52.408</b>
Tax Base for Council Tax Calculation Purposes (@ 98% collection) * if the Band D Council Tax were £1 it would yield £46,082 of income	46,082
<b>Angus Council 2018/19 Council Tax (Band D)</b>	<b>£ 1,137.28</b>

#### 5.6 Council Tax Valuation Bandings

The Council is required to set the Council Tax based on Valuation Band D. The Council Tax Charge for properties in the other Valuation Bands is calculated with reference to Band D. The Valuation Bandings used in the calculation of Council Tax are shown in **Appendix 5** for information.

#### 5.7 Council Tax Discretionary Discounts

Local authorities have discretion to maintain or reduce the Council Tax discount on second homes and long-term empty properties. The policy on long-term empty properties was amended as reported to Policy and Resources Committee on the 29 November 2016, committee report 427/16 refers. It should be noted that additional income generated from the discount schemes will be used for the Council's Housing Strategy and therefore is excluded from the Council Tax base calculation.

### 6. **FINANCIAL IMPLICATIONS**

6.1 There are no additional financial implications beyond those covered elsewhere in this report.

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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List of Appendices:

Appendix 1 - Statement of Net Expenditure

Appendix 2 – Implication of 3% Uplift

Appendix 3 – Statement of Earmarked Reserves

Appendix 4 – Council Tax Calculation Statement

Appendix 5 – Council Tax Valuation Bandings