

**ANGUS COUNCIL**

**SPECIAL BUDGET MEETING OF ANGUS COUNCIL – 16 FEBRUARY 2017**

**REVENUE & CAPITAL BUDGETS 2017/18 -  
SETTING OF THE COUNCIL TAX**

**REPORT BY HEAD OF CORPORATE IMPROVEMENT & FINANCE**

**ABSTRACT**

The purpose of this report is to explain the detailed 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 2017/18.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Council: -

- i) Approve the 2017/18 net estimated revenue expenditure of £248.655 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 2017/18 Council Tax payable at Band D.

**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 Angus Community Plan and Single Outcome Agreement 2013-2016. 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 2017/18 revenue budget has been reported, inter alia, within Report No 330/16 as prepared by the Head of Corporate Improvement & Finance. This report provided background on the development of Angus Council's revenue budget for 2017/18.

3.2 The Provisional Revenue and Capital Budgets 2017/18 Background Report (59/17) outlines that budget savings from services totalling £1.855 million, plus a further £1.301 million savings from Transforming Angus Tier 1 Reviews and £1.789 million Corporate savings are necessary to allow a balanced and sustainable budget to be set. In addition to this a sum of £2.102 million has been drawn down from the uncommitted General Fund Balance, as a one-off corporate measure to help balance the budget.

3.3 Angus Council's net estimated expenditure for 2017/18 will be £248.655 million after removal of the proposed budget savings, addition of investment proposals (£0.837 million) and contributions to/from General Fund Balances and Special Funds (**see Appendix 1**). The deduction of £198.014 million of Revenue Grants from Scottish Government leaves a balance of £50.641 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 REFORM

- 4.1 The Scottish Government introduced legislation to change Council Tax and this will come into force from April 2017. The Local Government finance settlement confirmed that the council tax rates paid by those in the four highest council tax bands (E, F, G and H) will be adjusted as from April 2017.
- 4.2 Council Tax is applied across a range of bands from A to H, with all bands having a relationship with band D, known as the multiplier. The Scottish Government has legislated to change the council tax multipliers for properties in Bands E to H from 1 April 2017. There is no local discretion to change these multipliers.
- 4.3 The table below shows the current and revised multipliers for Band E to H and the percentage increase in charge; this excludes any change to the Council Tax charge that may be set by the Council when it sets its budget for 2017/18. Scottish Water charges for water and wastewater will continue to be charged using the current multiplier and are excluded from the increase. The table also shows what the current council tax charge would be if the new multipliers applied. The Council Tax from 1 April will be set when the Council approves the 2017/18 Budget.

Band	Current fraction/multiplier	Revised fraction/multiplier from 1 April 2017	2016/17 Council Tax (Current)	2017/18 Council Tax (if new multipliers applied)	Percentage change
E	11/9	473/360	1,310.22	1,408.49	7.5%
F	13/9	585/360	1,548.44	1,742.00	12.5%
G	15/9	705/360	1,786.67	2,099.33	17.5%
H	18/9	882/360	2,144.00	2,626.40	22.5%

- 4.4 Low income household exemption  
Households with income of up to £25,000 are eligible to apply for a full exemption from the increased charge through the council tax reduction scheme.
- 4.5 Tax Base and Limits on Tax Increases  
The increases in the band multipliers have been applied to the latest Council Tax Base estimate for Angus Council and the increase in multipliers has increased the Band D Equivalent properties from 44,050 (per Council Tax Setting Report 63/16) to 45,654 an increase of 1,604. This increase would generate additional Council Tax income of circa £1.719 million. ( $1,604 * £1.072$  (current Band D)). Detail of this calculation is attached as **Appendix 2**.
- 4.6 The Local Government finance settlement has also confirmed that the council tax freeze will be lifted from April 2017 and Councils will be 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.
- 4.7 An assessment of a 3% increase in Council Tax has concluded that applying a 3% increase would generate additional Council Tax of £1.475 million. It should be noted that the £1.475 million has already been assumed as one of the identified means of balancing the budget in report 59/17.

## 5. MAIN FINANCIAL CONSIDERATIONS

### 5.1 Summary Position

The revised total estimated net expenditure for 2017/18 as set out in the Summary Statement of Net Expenditure attached at **Appendix 1** is £248.655 million – this assumes that all of the directorate savings and investment proposals for 2017/18 outlined in Report 59/17 are approved. This figure includes capital financing costs and contributions to/ (from) General Fund Balances and Special Funds. Members are referred to Report 59/17 for further background on the figures in **Appendix 1**.

### 5.2 Earmarking of General Fund Balances

The General Fund uncommitted balance at 31 March 2016 was £2.015 million. The latest revenue budget monitoring report to the Policy & Resources Committee on 31 January 2017 (committee report 39/17 refers) reported a projected adjusted underspend for 2016/17 (after allowing for approved earmarked monies) of £3.998 million which will flow into the General Fund Balance at the year end. Officers have also been undertaking a review of the earmarked funds in the General Fund Balance and this has identified a sum of £0.382 million which no longer requires to be earmarked. This gives a combined uncommitted balance of £6.395 million currently projected on the Council's General Fund by 31 March 2017.

The current General Fund balance position includes 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 draft budget package includes corporate savings and £2.102 million of these is the use of the General Fund uncommitted balance. Details of this are included in report 58/17.

There are a number of significant and unpredictable risks inherent within the Council's proposed budget and a specific issue in relation to the likely one-off severance costs associated with the Help to Live at Home Phase 2 Project being delivered by the IJB. That project will deliver £0.820 million of ongoing savings p.a. Whilst it would not be appropriate at this stage to directly allocate specific one-off resources to the IJB for severance costs which are not yet quantified it is considered prudent and appropriate to recognise this and other risks within the budget as part of finalising the Council's overall budget strategy.

Given experience with earlier phases of Help to Live at Home on severance costs and taking into account other risks within the budget it is proposed that £1.100 million of the current year's projected underspend be earmarked for these purposes on a contingency basis.

After allowing for the current year uncommitted projected underspend, the drawdown of £2.102 million identified as part of the Corporate savings and £1.100 million earmarked for Help to Live at Home severance costs and risks this produces a combined uncommitted balance of £3.193 million currently projected on the Council's General Fund.

Directorates are allowed to request to carry forward unspent resources in their budget from one year to the next so that budgets are managed appropriately and the risk of a spend it or lose it approach can be avoided. A number of requests were received and £3.174 million have been recommended for approval and details can be found in report 48/17.

After allowing for the carry forwards this produces a nominal uncommitted balance of £0.019 million currently projected on the Council's General Fund.

It should be borne in mind, however, that the projected year-end position cannot be assessed with certainty until the 2016/17 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund at the end of 2016/17 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 2017/18 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 2016. 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 2016/17 Council Tax was also 2%. This suggested allowance takes account of the increased provision of £0.200 million of Surplus Local Tax & MOD Council Tax Income in the 2017/18 budget in respect of the collection of Council Tax arrears.

### 5.5 Balance of 2017/18 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 below:

	<b>£ million</b>
Net Expenditure (per Appendix 1)	250.177
<u>Deduct</u> : Total Revenue Grants from Scottish Government	(198.014)
Net Expenditure to be met by Council Tax (Before Balances & Funds)	52.163
<u>Deduct</u> : Contribution to / (from) General Fund Balances	(2.102)
<u>Add</u> : Contribution to / (from) Special Funds	0.580
<b>Net Expenditure to be met by Council Tax</b>	<b>50.641</b>
Tax Base for Council Tax Calculation Purposes (@ 98% collection) * if the Band D Council Tax were £1 it would yield £45,864 of income	45,864

### 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 has been 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. FURTHER STEPS TO BE TAKEN TO DETERMINE THE COUNCIL TAX**

In order that the Council may determine the 2017/18 Band D Council Tax charge, a number of decisions require to be taken as follows: -

- Approval of the estimated level of non-collection of the Council Tax to be used in calculating the estimated effective pound product of Charge. An allowance for non-collection of 2% is recommended.

## **7. FINANCIAL IMPLICATIONS**

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 Multiplier Changes and 3% Uplift

Appendix 3 – Statement of Earmarked Reserves

Appendix 4 – Council Tax Calculation Statement

Appendix 5 – Council Tax Valuation Bandings