

ANGUS COUNCIL**SPECIAL BUDGET MEETING OF ANGUS COUNCIL – 12 FEBRUARY 2015****REVENUE & CAPITAL BUDGETS 2015/16 -
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 2015/16.

1. RECOMMENDATIONS

1.1 It is recommended that the Council: -

- i) Approve the 2015/16 net estimated revenue expenditure of £242.187 million (excluding contributions to/from General Fund Balances and Special Funds) for Angus Council;
- ii) Agree that an allowance of 2% for non-collection of the Council Tax be used in the tax setting calculations;
- iii) Determine the contributions to/from General Fund Balances and Special Funds to be made for 2015/16 in light of the position outlined in the Report and in particular Appendix 2;
- iv) Determine the 2015/16 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 2015/16 revenue budget has been reported, inter alia, within Report Nos. 258/14 and 59/15 as prepared by the Head of Corporate Improvement & Finance. These reports have provided background on the development of Angus Council's revenue budget for 2015/16.

3.2 The Provisional Revenue and Capital Budgets 2015/16 Background Report (59/15) outlines that budget savings from services totalling £5.586 million are necessary to allow a balanced and sustainable budget to be set.

3.3 Angus Council's net estimated expenditure for 2015/16 will be £242.187 million (excluding contributions to/from General Fund Balances and Special Funds) after removal of the proposed budget savings. The deduction of £200.046 million of Revenue Support Grant leaves a balance of £42.141 million to be funded from Council Tax charges before considering the contributions to or from the Council's General Fund Balances and Special Funds.

3.4 The remainder of this report outlines the main financial considerations and the steps necessary to set the Council Tax charge.

4. MAIN FINANCIAL CONSIDERATIONS

4.1 Summary Position

The revised total estimated net expenditure for 2015/16 as set out in the Summary Statement of Net Expenditure attached at **Appendix 1** is £242.187 million – this assumes that all of the directorate savings for 2015/16 outlined in Report 59/15 are approved. This figure includes capital financing costs, however, it excludes contributions to/(from) General Fund Balances and Special Funds. Members are referred to Report 59/15 for further background on the figures in Appendix 1.

4.2 Earmarking of General Fund Balances

The General Fund uncommitted balance at 31 March 2014 was £1.551 million. The latest revenue budget monitoring report to the Policy & Resources Committee on 3 February 2015 (committee report 45/15 refers) reported a projected adjusted underspend for 2014/15 (after allowing for approved budget virements and carry forwards) of £0.768 million which will flow into the General Fund Balance at the year end. This gives a combined uncommitted balance of £2.319 million currently projected on the Council's General Fund.

The current General Fund balance position includes an earmarked contingency sum of around 1.3% of the net revenue budget (£3.250 million). Negotiations on pay awards for 2015/16 are currently in progress however, and although a provision has been made within the provisional revenue budget for pay increases, this represents an area of sizeable risk to the Council. In addition the Council's proposed budget for 2015/16 carries risk in a number of other areas. It is therefore considered prudent to increase the earmarked contingency sum within General Fund balances to approx. 1.6% of the net revenue budget (£4.0 million) to address this and any significant one-off issues which may arise during the course of the current and forthcoming financial year.

After allowing for the drawdown of £0.569 million to fund one-off budget pressures recommended for funding from General Fund Balances as detailed in Appendix 1 of report 59/15, a balance of £1.0 million is projected to be available as at 31 March 2015 beyond the contingency level.

This contingency sum will also provide a suitable financial base for future years as part of the Council's medium term budget strategy and is considered sufficient given that separate budget provision has been made for the Transforming Angus Change Fund (£2.875m in total of which £1.971 million will be earmarked in General Fund balance).

It should be borne in mind, however, that the projected year-end position cannot be assessed with certainty until the 2014/15 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund at the end of 2014/15 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 2015/16 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.

4.3 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 "Guidance Note On Local Authority Reserves And Balances" as issued in November 2008 a Statement of Earmarked Reserves is attached at **Appendix 2**. 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 2015. Recommendations regarding the replenishment or draw down from these various funds and reserves are provided in **Appendix 2**. This information is

provided to help inform decisions with regard to the level of contributions to be made to / from reserves and balances.

The matter of the level of contributions to be made to / from reserves and balances will be further considered as part of the Special Budget setting meeting of the Council.

4.4 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 2014/15 Council Tax was also 2%. This suggested allowance takes account of the current provision of £50,000 of Surplus Local Tax Income in the 2015/16 budget in respect of the collection of Council Tax arrears.

4.5 Balance of 2015/16 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 3**. A summary is given in the table below:

	£ million
Net Expenditure (per Appendix 2)	242.187
<u>Deduct</u> : Total Revenue Support Grant	(200.046)
Less: Use of General Fund Balances to finance budget issues	(0.569)
Net Expenditure to be met by Council Tax (Before Balances & Funds)	41.572
<u>Add</u> : Contribution to / (from) General Fund Balances and Special Funds	To be determined
Net Expenditure to be met by Council Tax	To be determined
Tax Base for Council Tax Calculation Purposes (@ 98% collection) * if the Band D Council Tax were £1 it would yield £43,715 of income	43,715

4.6 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 4** for information.

4.7 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 April 2014, committee report 205/14 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.

5. FURTHER STEPS TO BE TAKEN TO DETERMINE THE COUNCIL TAX

In order that the Council may determine the 2015/16 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.
- Determination of any contributions to or from Council General Fund Balances and Special Funds considered necessary.

6. 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 – Statement of Earmarked Reserves

Appendix 3 – Council Tax Calculation Statement

Appendix 4 – Council Tax Valuation Bandings