

**ANGUS COUNCIL**

**SPECIAL BUDGET MEETING OF ANGUS COUNCIL – 21 FEBRUARY 2019**

**REVENUE & CAPITAL BUDGETS 2019/20 -  
SETTING OF THE COUNCIL TAX**

**REPORT BY HEAD OF FINANCE & LEGAL**

**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 2019/20.

**1. RECOMMENDATIONS**

It is recommended that the Council: -

- a) Approve the 2019/20 net estimated revenue expenditure of £269.420 million for Angus Council attached at Appendix 1;
- b) Agree that an allowance of 1.75% for non-collection of the Council Tax be used in the tax setting calculations;
- c) Determine which, if any, of the potential areas of investment included in Appendix 3 of Report 57/19 should go ahead, these being funded from the Council's uncommitted General Fund balance;
- d) Agree to replenishment of the Council's Change Fund by £0.5 million by transferring this sum from uncommitted General Fund balances.
- e) Determine the contributions to/from General Fund Balances and Special Funds to be made for 2019/20 in light of the position outlined in the Report and in particular Appendix 2;
- f) Determine the 2019/20 Council Tax payable at Band D.

**2. ALIGNMENT TO ANGUS COUNCIL PLAN / LOCAL OUTCOME IMPROVEMENT PLAN**

- 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 2019/20 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 2019/20.
- 3.2 The Provisional Revenue and Capital Budgets 2019/20 Background Report (57/19) outlines that budget savings from the Change Programme totalling £10.220 million are anticipated.
- 3.3 Angus Council's net estimated expenditure for 2019/20 will be £269.420 million after removal of the proposed budget savings, addition of budget issues (£1.333 million) and review of charges

(£0.147 million), see Appendix 1. The deduction of £213.372 million of Revenue Funding Grants from Scottish Government and Scotland Schools for the Future Funding leaves a balance of £56.048 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. COUNCIL TAX BASE AND LIMITS ON TAX INCREASES**

- 4.1 After applying the recommended 1.75% allowance in 2019/20 for non-collection to the latest Council Tax Base estimate figure for Angus Council, this increases the Band D Equivalent properties from 46,082 (per Council Tax Setting Report 63/18) to 46,477, an increase of 395 and this would increase Council Tax income by £0.450 million based on the current Council Tax charge.
- 4.2 The council tax freeze was removed in April 2017 and Councils were then allowed to increase council tax by a maximum of 3% per annum if they chose to. The Scottish Government grant offer for 2019/20 allows Council's to increase Council Tax by 4.79%.
- 4.3 An assessment of a 3% and 4.79% increase in Council Tax calculation has been undertaken and these increases would generate additional council tax of £1.585 million and £2.531 million respectively. Each 1% increase in Council Tax would yield additional income of approximately £0.528 million.

#### **5. MAIN FINANCIAL CONSIDERATIONS**

##### **5.1. Uncommitted General Fund Balances**

The General Fund uncommitted balance at 31 March 2018 was £2.604 million This uncommitted balance position is after allowing for an earmarked contingency sum of around 1.5% 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 29 January 2019 (committee report 26/19 refers) reported a projected adjusted underspend for 2018/19 (after allowing for approved earmarked monies) of £1.315 million which would flow into the General Fund Balance at the year end.

Officers have reviewed resources earmarked (set aside) in reserves for future use and have concluded that £0.414 million of these are no longer required on a priority basis. De-committing these resources means they can be used to support the 2019/20 revenue budget.

The change programme report 310/18 explained that for a small number of projects the level of savings originally anticipated would not be achieved in 2018/19 and would alternatively be achieved in 2019/20. This delay caused a shortfall in the 2018/19 revenue budget compared to the position agreed in February 2018 of £0.665 million and it was agreed at Policy & Resources Committee on 9<sup>th</sup> October 2018 (Report no. 312/18) that this could be funded from the uncommitted General Fund Balance.

After allowing for all of the above adjustments a combined uncommitted balance over and above the £4m contingency of £3.668 million is currently projected on the Council's General Fund by 31 March 2019.

In addition to this the Council has received two sizeable receipts being £3.419 million for a VAT refund and £2.766 million from the new residual waste contract.

It should be borne in mind, however, that the projected year-end position cannot be assessed with certainty until the 2018/19 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund at the end of 2018/19 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 2019/20 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.

**Table 1 - Summary of Projected Uncommitted General Fund Balance at 31 March 2019.**

	<b>£m</b>
Estimated Uncommitted General Fund Balance at 31 March 2019 (Table 3 of Report 57/19)	3.668
VAT refund (Report 33/19 refers)	3.419
Residual Waste Project receipt (Report 336/17 refers)	2.766
<b>Total Uncommitted General Fund Balance Expected to be Available</b>	<b>9.853</b>

## 5.2 Assessment of Council Funds and Balances for Budget Purposes

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 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 2019. Recommendations regarding the replenishment or draw down from these various funds and reserves are provided in Appendix 2 whilst the latest projected balances on those funds is given in Annex A of 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.

As mentioned above the existing Council policy is to hold £4.0 million as a contingency reserve within General Fund Balances to provide some cover against budget risks, unexpected costs and potential shortfalls in, for example, Change Programme savings targets. This is in addition to the resources the Council holds in its other Funds and Reserves. Section 8 of Report 57/19 explains how budget risks have been considered and the Council's strategy for managing these risks in 2019/20. Whilst the level of risk in the Council's budget for 2019/20 is on the whole higher than previous years due to Brexit uncertainty and the revised risk sharing arrangements on the Angus IJB there is no specific need to increase the £4.0 million contingency provision at this time. This provision along with the other funds and reserves available and the flexibility to de-commit earmarked resources if this proved necessary on an emergency basis provides the Council with a reasonable degree of protection for the foreseeable future.

The figures in Annex A of Appendix 2 assume a continuation of the £4.0 million contingency policy.

## 5.3 Investment Proposals – For Consideration

Report 51/19 which is on the agenda for the Special Council meeting presents the proposed new Council Plan. The Plan emphasises the priorities of the Council and our ambitions for Angus.

Realisation of those ambitions will require investment of resources some of which will come from existing Council budgets but in some areas additional investment is required.

Potential areas of investment were submitted by officers from various services and have been assessed by Senior Officers of the Council's Leadership Team. Those which CLT believe will make the biggest contribution to the Council's priorities are detailed in Appendix 3 of Report 57/19 and amount to £3.990 million. Decisions regarding these investment options require to be decided at the Special Council meeting. For the avoidance of doubt all of the investment options listed in Appendix 3 of Report 57/19 would require to be funded on a temporary basis using one-off uncommitted General Fund Balances rather than being a permanent addition to the base budget at this point on time.

#### 5.4 Proposed Replenishment of the Council Change Fund

The Council established a Change Fund a number of years ago to support delivery of the Change Programme. The Fund is used to provide additional capacity or expertise to ensure Change Programme projects are delivered in practice. The scale of savings achieved through that Programme over the last 2 years has been substantial (more than £20 million) but the Change Fund resources have now been fully utilised or committed and the Fund requires to be replenished. It is therefore proposed to use part of the uncommitted General Fund balances available to replenish the Change Fund. A contribution of £0.500 million for this purpose is proposed. This should provide sufficient resources to take forward the Change Programme for the next 2 – 3 years.

#### 5.5 Balancing the 2019/20 Revenue Budget

Table 4 of Report 57/19 identifies a remaining funding gap of £3.190 million assuming no Council Tax increase is applied. If the Council decides on no Council Tax increase it will therefore be necessary to balance the 2019/20 revenue budget by using £3.190 million of the £9.853 million uncommitted General Fund balances available. If Council decides to increase Council Tax the amount of uncommitted General Fund balances required to balance the budget would be reduced.

If £3.190 million of uncommitted General Fund balances is required this would leave £6.663 million still available of which up to £3.990 million could be required if all of the Investment proposals in Appendix 3 of Report 57/19 were approved. In this scenario some £2.673 million would still be available of which £0.500 million is proposed to be used to replenish the Change Fund leaving £2.173 million still available. These uncommitted funds could be set aside as a further contingency towards budget risks, earmarked for future use e.g. in the 2020/21 budget setting or used for other purposes of e.g. a spend to save nature.

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

Despite Angus Council's strong record of collecting Council Tax an element of non-collection of Council Tax will exist and it is considered prudent to make a non-collection allowance to recognise this. The allowance for non-collection agreed by the Council last year in setting the 2018/19 Council Tax was 2%, however in light of the pressures on the Council's budget and taking into account historic trends it is proposed to reduce this allowance to 1.75%. This decrease means additional Council Tax income of £0.135 million for budget purposes can be assumed.

#### 5.7 Balance of 2019/20 Estimated Net Expenditure to be met from Council Taxes

The Council Tax Calculation Statement is attached at Appendix 3. A summary is given in the table 2 below:

**Table 2 – Council Tax Calculation**

	£m	£ m
<b>Net Expenditure (per Appendix 1)</b>		<b>269.420</b>
<u>Deduct</u>		
Total Revenue Grants from Scottish Government per circular 8/2018	(209.155)	
Revenue Grants paid outwith the circular	(0.243)	
Schools for the Future Funding	(3.974)	
<b>Total</b>		<b>(213.372)</b>
Net Expenditure to be met by Council Tax (Before Balances & Funds)		56.048
<u>Add : Investment Proposals to be met from General Fund Balances</u>		To be Determined
<u>Add/(Deduct) : Contribution to / (from) General Fund Balances</u>		To be Determined
<b>Net Expenditure to be met by Council Tax</b>		<b>To be Determined</b>
Tax Base for Council Tax Calculation Purposes (@ 98.25% collection) * if the Band D Council Tax were £1 it would yield £46,477 of income		46,477

#### 5.8 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.

#### 5.9 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. However as per report 57/19 approval is now being sought to amend this to enable 75% of the money raised to be used for General Fund service provision. These funds have been taken into account in the draft 2019/20 Revenue Budget set out in Report 57/19.

### 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.

**REPORT AUTHOR:** Gillian Woodcock, Manager (Finance)

**EMAIL DETAILS:** [FINANCE@angus.gov.uk](mailto:FINANCE@angus.gov.uk)

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