

ANGUS COUNCIL

SPECIAL BUDGET MEETING OF ANGUS COUNCIL – 27 FEBRUARY 2020

**REVENUE & CAPITAL BUDGETS 2020/21 -
SETTING OF THE COUNCIL TAX**

REPORT BY DIRECTOR OF 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 2020/21.

1. RECOMMENDATIONS

It is recommended that the Council: -

- a) Approve the 2020/21 net estimated revenue expenditure of £283.353 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) Note the Projected Uncommitted General Fund Balance as at 31 March 2020 of £8.711 million as set out in section 5.1 of this report;
- d) Approve the proposed use of the Projected Uncommitted General Fund Balances of £0.660 million as set out in section 5.2 of this report, noting that further use of these Balances will be considered at the Council Tax setting meeting;
- e) Note the position on the Council's other Reserves as set out in Appendix 2;
- e) Determine the contributions to/from the Council's Reserves to be made for 2020/21 in light of the position outlined in the Report and in particular Appendix 2; and
- f) Determine the 2020/21 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 Angus Community 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 2020/21 revenue budget has been reported, inter alia, within Report No 82/20. This report provided background on the development of Angus Council's revenue budget for 2020/21.
- 3.2 The Provisional Revenue and Capital Budgets 2020/21 Background Report (82/20) outlines that budget savings from the Change Programme totalling £10.244 million are anticipated.

- 3.3 Angus Council's net estimated expenditure for 2020/21 will be £283.353 million after removal of the proposed budget savings of £10.244 million and the addition of budget issues totalling £8.230 million, see Appendix 1. The deduction of £222.781 million of Revenue Funding Grants from Scottish Government and Scotland Schools for the Future Funding leaves a balance of £60.572 million to be funded from Council Tax charges before considering the contributions to or from the Council's Reserves.
- 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 2020/21 for non-collection to the latest Council Tax Base estimate figure for Angus Council (see paragraph 5.6 below), this increases the Band D Equivalent properties from 46,477 (per Council Tax Setting Report 61/19) to 46,746, an increase of 269 and this would increase Council Tax income by £0.315 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 2020/21 allows Council's to increase Council Tax by 4.84%.
- 4.3 An assessment of a 3% and 4.84% increase in Council Tax calculation has been undertaken and these increases would generate additional council tax of £1.643 million and £2.650 million respectively. Each 1% increase in Council Tax would yield additional income of approximately £0.548 million.

5. MAIN FINANCIAL CONSIDERATIONS

5.1. Uncommitted General Fund Balance at 31 March 2020

The Council's current policy is to hold a £4m contingency fund within its General Fund Balance to meet unforeseen costs and issues which may arise during the financial year. Over and above this contingency there are uncommitted funds available. The projected position on those uncommitted funds is as follows:-

Table 1 – Projected Uncommitted Balance at 31 March 2020

	£m
Uncommitted Balance at 31 March 2019	7.220
Commitments agreed during 2019/20	(0.071)
Projected underspend/savings on 2019/20 budgets (after ring-fenced amounts – Report 22/20 refers)	0.694
Saving in energy costs banked for 2020/21 (Report 216/19 refers)	0.323
Expected Share of AHSCP Reserves Returned to Angus Council	0.545
Projected Uncommitted Balance 31 March 2020	8.711

The expected share of reserves to be returned to the Council from the Angus Health and Social Care Partnership (AHSCP) is reasonably certain but has to be confirmed by the Angus IJB. It arises because the AHSCP has underspent/made savings against budget in the first 3 years of its existence and is currently carrying reserves in excess of its Reserves Policy levels.

5.2 Projected Use of Uncommitted General Fund Balance

As part of the draft budget strategy it is proposed to use the Uncommitted General Fund Balance for the following areas:-

- It is proposed to change the funding of £0.460 million for Participatory Budgeting originally planned to be met from the capital budget to be met through the revenue budget instead and to fund this from the General Fund Balance.
- To replenish the Council's Change Fund by £0.200m increasing the uncommitted balance on the Fund from £0.341 million to £0.541 million. The Change Fund is crucial to supporting projects and initiatives in the Change Programme, most of which are focused on achieving savings and delivering on the Council's priorities.

The proposed use of the uncommitted General Fund Balance totals £0.660m and this has been reflected in Table 2 below.

Table 2 - Summary of Projected Uncommitted General Fund Balance at 31 March 2020.

	£m
Estimated Uncommitted General Fund Balance at 31 March 2020 (Table 1 above)	8.711
Proposed Use of Uncommitted General Fund Balance	(0.660)
Projected Uncommitted General Fund Balance at 31 March 2020 (before consideration of other budget matters)	8.051

It should be borne in mind, however, that the projected year-end position cannot be assessed with certainty until the 2019/20 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund at the end of 2019/20 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 2020/21 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 Assessment of Council Reserves

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 services and the inherent risk therein.

The Council currently holds various earmarked reserves 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 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 2020. 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 82/20 explains how budget risks have been considered and the Council's strategy for managing these risks in 2020/21.

5.4 3 Year General Fund Balance Drawdown Strategy

Although decisions about Council Tax and Reserves have still to be made the Council's financial position and the proposed budget as outlined in the Budget Background Report (Report 82/20) means that it will be necessary to use uncommitted General Fund Balances to some degree to help achieve a balanced budget in 2020/21. Current projections of the funding gap and Change Programme savings for 2021/22 and 2022/23 indicate that balances may again be required in those years to achieve a balanced budget.

It is therefore proposed that the Council adopt a strategy in which we budget to use uncommitted General Fund Balances to support balancing the budget over the next 3 financial years but on a diminishing basis so that by 2023/24 we are aiming to achieve a balanced budget without using one-off balances as a temporary funding measure. For financial year 2021/22 a contribution of £1.500 million is proposed with £1.000 million for 2022/23. These figures may require revision depending on decisions made regarding the use of General Fund Balances in 2020/21 at the Council Tax setting meeting.

The use of uncommitted General Fund Balances for this purpose is a legitimate use of these one-off resources and demonstrates a commitment and intention to reduce to nil our reliance on one-off funds to help achieve a balanced budget. This will only be possible however if future budgets are no worse than current projections suggest and sufficient savings to bridge any funding gap are found and delivered.

It must be emphasised that the proposals above on using a reducing amount of General Fund Balances over the next 3 years would be subject to review to reflect changing circumstances in future budget setting processes.

5.5 Balancing the 2020/21 Revenue Budget

Table 4 of Report 82/20 identifies a remaining funding gap of £5.814 million assuming no Council Tax increase is applied. This funding gap includes £1.933 million of budget issues and investments which are intended to be funded on a one-off basis from Council Reserves. Excluding this sum the Council would need to drawdown £3.881 million from uncommitted General Fund Balances to balance the budget if no Council Tax increase is applied. If the Council decides on no Council Tax increase and agrees the one off budget issues of £1.933 million a total of £5.814 million of the £8.051 million uncommitted General Fund balances available would be used to set the budget. If Council decides to increase Council Tax the amount of uncommitted General Fund balances required to balance the budget would be reduced commensurately.

If £5.814 million of uncommitted General Fund balances is required this would leave £2.237 million still available. This would be insufficient (by £0.263 million) to implement the 3 year drawdown strategy outlined in paragraph 5.4 above. In these circumstances the drawdown strategy would need to be revised.

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 2019/20 Council Tax was 1.75% and it is proposed that the same allowance of 1.75% is used for 2020/21.

5.7 Balance of 2020/21 Estimated Net Expenditure to be met from Council Taxes

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

Table 3 – Council Tax Calculation

	£m	£ m
Net Expenditure (per Appendix 1)		283.353
<u>Deduct</u>		
Total Revenue Grants from Scottish Government per circular 1/2020	(218.807)	
Schools for the Future Funding	(3.974)	
Total		(222.781)
Net Expenditure to be met by Council Tax (Before Balances & Funds)		60.572
<u>Add : Investment Proposals to be met from General Fund Balances</u>		To be Determined
<u>Add/(Deduct) : Contribution to / (from) Council Reserves</u>		To be Determined
Net Expenditure to be met by Council Tax		To be Determined
Tax Base for Council Tax Calculation Purposes (@ 98.25% collection) * if the Band D Council Tax were £1 it would yield £46,746 of income		46,746

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. These bandings are set by legislation not by Angus Council.

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

List of Appendices:

Appendix 1 -- Statement of Net Expenditure

Appendix 2 – Statement of Earmarked Reserves

Appendix 2 – Statement of Earmarked Reserves – Annex A

Appendix 3 – Council Tax Calculation Statement

Appendix 4 – Council Tax Valuation Bandings