

**SPECIAL ANGUS COUNCIL - 4 MARCH 2021****REVENUE & CAPITAL BUDGETS 2021/22 - 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 2021/22.

**1. RECOMMENDATIONS**

It is recommended that the Council: -

- a) Approve the 2021/22 net estimated revenue expenditure of £288.552 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) Agree that a Council Tax freeze is implemented for financial year 2021/22 and accept the Scottish Government's offer of the Council Tax Incentive Grant of £1.727 million.
- d) Agree that the 2021/22 Council Tax payable at Band D remains at £1,206.54
- e) Note the Projected Uncommitted General Fund Reserve of £4.391 million as at 31 March 2021 as set out in section 5.1 of this report;
- f) Approve the proposed use of the Projected Uncommitted General Fund Reserve of £1.981 million as set out in section 5.2 of this report, noting that further use of these reserves will be considered at the Council Tax setting meeting;
- g) Note the £1.500 million drawdown to the Uncommitted General Fund Reserve as per the Reserve Strategy agreed in setting the 2020/21 Revenue budget as set out in section 5.2 of this report;
- h) Note the Projected Uncommitted COVID-19 Contingency Reserve as at 31 March 2021 of £2.057 million as set out in section 5.3 of this report;
- i) Note the position on the Council's other Reserves as set out in Appendix 2; and
- j) Agree that the 3 year General Fund Reserve Drawdown Strategy is continued to support balancing the budget over the next 3 financial years.
- k) Determine the contributions to/from the Council's Reserves to be made for 2021/22 in light of the position outlined in the Report and in particular Appendix 2.

**2. ALIGNMENT TO THE ANGUS COUNCIL PLAN / COMMUNITY PLAN**

- 2.1 This report contributes as a whole to the local outcome(s) contained within the Council Plan and 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 2021/22 revenue budget has been reported, inter alia, within Report No 68/21. This report provided background on the development of Angus Council's revenue budget for 2021/22.
- 3.2 The Provisional Revenue and Capital Budgets 2021/22 Background Report (68/21) outlines that budget savings from the Change Programme totalling £5.161 million are anticipated.
- 3.3 Angus Council's net estimated expenditure for 2021/22 will be £288.552 million after removal of the proposed budget savings of £5.161 million and the addition of budget issues and service investments totalling £6.330 million, see Appendix 1. The deduction of £227.738 million of Revenue Funding Grants from Scottish Government (including £1.727 million of grant conditional on freezing Council Tax) leaves a balance of £60.814 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 2021/22 for non-collection to the latest Council Tax Base estimate figure for Angus Council (see paragraph 5.7 below), this increases the Band D Equivalent properties from 46,746 (per Council Tax Setting Report 88/20) to 47,103, an increase of 357 and this would increase Council Tax income by £0.431 million based on the current Council Tax charge.
- 4.2 As part of the finance settlement for 2021/22, the Scottish Government will provide funding to Councils who wish to implement a Council Tax freeze for 2021/22 which for Angus Council is £1.727 million, the equivalent of a 3% increase. If a decision was taken to not take advantage of this funding Angus Council would have to implement a Council Tax increase of more than 3% to make this a financially beneficial decision in the Council's budget. Each 1% increase in Council Tax would yield income of £568,000 based on the updated tax base of 47,103.

### 5. MAIN FINANCIAL CONSIDERATIONS

#### 5.1. Uncommitted General Fund Balance at 31 March 2021

The Council's current policy is to hold a £4.880m 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 expected to be available. The projected position on those uncommitted funds is as follows:-

**Table 1 – Projected Uncommitted General Fund Reserve at 31 March 2021**

	£m
<b>Uncommitted Reserve at September 2020 (report 211/20)</b>	<b>0.000</b>
COVID-19 budget recast uplifts returned from Services (report 17/21 refers)	1.134
Projected underspend/savings on 2020/21 budgets (after ring-fenced amounts – Report 17/21 refers)	2.977
<b>Projected Uncommitted Reserve at 31 March 2021 as per report 17/21</b>	<b>4.111</b>
Additional COVID-19 budget recast uplifts to be returned from Services, identified since latest monitoring report.	<b>0.280</b>
<b>Projected Uncommitted Reserve at 31 March 2021</b>	<b>4.391</b>

## 5.2 Projected Use of Uncommitted General Fund Reserve

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

- It is proposed that £0.981 million of One Off Budget Issues raised by Council Services (column D of Appendix 1) are funded from the uncommitted reserve above.
- To replenish the Council's Change Fund by £0.250 million increasing the uncommitted balance on the Fund from £0.140 million to £0.390 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.
- To replenish the Tay Cities Deal Fund by £0.250 million increasing the uncommitted balance on the fund from £0.075 million to £0.325 million. This is a necessary investment now that the Deal is in the delivery phase.
- Proposed one-off transfer of £0.500 million to Capital Financing Charges to fund part of the 2020/21 planned £2 million saving which will now not be generated this year assuming members agree to the deferral of the Loans Fund Review (Report 76/21 refers).

In setting the 2020/21 Revenue Budget the Council approved a strategy in which the Council budgeted to use uncommitted reserves to support its budget over the following 3 financial years but on a diminishing basis so that by 2023/24 it was hoped to achieve a balanced budget without using one-off reserves as a temporary solution. The following was agreed:-

2020/21 – use circa £2.3m of uncommitted reserve available

2021/22 – use £1.5m of uncommitted reserve available

2022/23 – use £1.0m of uncommitted reserve available

It was emphasised in the reserve strategy that the 3 year proposals above would not be cast in stone and would be subject to review to reflect changing circumstances in future budget setting processes, therefore an increase in draw down from reserves to balance the budget would be acceptable. The planned drawdown for 2021/22 and 2022/23 are earmarked as a commitment in the General Fund Reserve so are available in addition to the uncommitted position shown in Table 1.

Taking all of the above into account the following position would arise:-

**Table 2- Projected Uncommitted General Fund Reserve at 31 March 2021**

	£m
<b>Projected Uncommitted Reserve at 31 March 2021(Table 1)</b>	<b>4.391</b>
Less used to fund one off budget issues	(0.981)
Less proposed transfer to Change Fund and City Deal Fund	(0.500)
Less proposed transfer to Capital Financing Charges arising from proposed deferral of Loans Fund Review savings	(0.500)
<b>Sub-total after use for specific purposes</b>	<b>2.410</b>
Add 2021/22 reserve strategy drawdown earmarked as a commitment	1.500
<b>Revised Uncommitted Reserve Available for 2021/22 Budget Setting</b>	<b>3.910</b>

It should be borne in mind, however, that the projected year-end position cannot be assessed with certainty until the 2020/21 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund Reserve at the end of 2020/21 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 2021/22 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 COVID-19 Contingency Reserve

Members will recall as part of the revisions to the 2020/21 Revenue Budget report (211/20) in September it was agreed that a COVID-19 contingency reserve be established which could if required be drawn upon to address new COVID-19 issues. In the event that the Contingency isn't required in full any remaining funds can be taken into account for alternative use in setting future budgets. It is however too early to say at this point in time whether the COVID-19 Contingency will require to be used but with the effects of the pandemic likely to last in some form for the foreseeable future it is considered prudent to retain this COVID-19 Contingency over and above the General Contingency of £4.880 million.

The projected position of this reserve is shown in Table 3 below:

**Table 3 – COVID-19 Contingency Reserve**

	<b>£m</b>
<b>Reserve at September 2020</b>	<b>0.901</b>
Less Contact Centre extension of posts, report 316/20 refers	(0.172)
Less 2020/21 Change Programme Savings Shortfall, report 314/20 refers	(0.306)
Loss of Income Scheme (1st tranche)	0.737
Loss of Income Scheme (2nd tranche)	0.897
<b>Revised Uncommitted Reserve</b>	<b>2.057</b>

The Council's Finance team are currently looking at COVID-19 costs and funding (Report 72/21 refers) and the future use of this reserve is part of those considerations.

### 5.4 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 £4.880 million as a contingency within General Fund Reserves 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 68/21 explains how budget risks have been considered and the Council's strategy for managing these risks in 2021/22.

## 5.5 2 Year General Fund Reserve 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 68/21) means that it will be necessary to use uncommitted General Fund Reserves to some degree to help achieve a balanced budget in 2021/22. Current projections of the funding gap and Change Programme savings for 2022/23 and 2023/24 indicate that reserves may again be required in those years to achieve a balanced budget depending on Council Tax decisions.

It is therefore proposed that the Council consider continuing the strategy first introduced in the 2020/21 budget setting process in which we budget to use uncommitted General Fund Reserves to support balancing the budget over the next 2 financial years but on a diminishing basis so that by 2023/24 we are aiming to achieve a balanced budget without using one-off reserves as a temporary funding measure. For financial year 2022/23 a contribution of £1.000 million is proposed (in line with the original 3 year reserves strategy). These figures may require revision depending on decisions made regarding the use of General Fund Reserves in 2021/22 at the Council Tax setting meeting.

The use of uncommitted General Fund Reserves 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 General Fund Reserves in financial years 2021/22 and 2022/23 would be subject to review to reflect changing circumstances in future budget setting processes.

## 5.6 Balancing the 2021/22 Revenue Budget

Table 4 of Report 68/21 identifies a remaining funding gap of £3.982 million assuming no Council Tax increase is applied and the Council Tax freeze funding grant of £1.727 million is accepted. This funding gap includes £0.981 million of one off budget issues and £3.001 million of ongoing budget issues and service investments. The £0.981 million is included as a funding proposal in Table 2 above. This then means the Council would need to drawdown a further £3.001 million from the uncommitted General Fund Reserve projected balance of £3.910 million to balance the 2021/22 revenue budget.

Based on the assumption of using £3.001 million of the Uncommitted General Fund Reserve to balance the 2021/22 revenue budget this would leave a balance of £0.909 million still available. This remaining balance can be used for other one-off purposes in setting the 2021/22 budgets or can be retained and not committed at this time.

## 5.7 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 2020/21 Council Tax was 1.75% and it is proposed that the same allowance of 1.75% is used for 2021/22. It should be noted however that this comes with some risks due to COVID-19 as going forward into 2021/22 council tax collection may be impacted by economic factors in the aftermath of the pandemic. Notwithstanding the potential for higher levels of non-collection in a post pandemic economy officers believe a collection rate of 98.25% is still achievable. A Council Tax freeze can be expected to be of help in terms of the collectability of the tax.

## 5.8 Balance of 2021/22 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 4 below:

**Table 4 – Council Tax Calculation**

	£m	£ m
<b>Net Expenditure (per Appendix 1)</b>		<b>288.552</b>
<u>Deduct</u> Total Revenue Grants from Scottish Government per circular 1/2020 (including £1.727m of Council Tax freeze grant)	(226.925)	
Grant Funding yet to be distributed	(0.813)	
<b>Total</b>		<b>(227.738)</b>
Net Expenditure to be met by Council Tax (Before Contributions to/(from) Council Reserves)		60.814
<u>Add : Investment Proposals to be met from General Fund Reserves</u>		To be Determined
<u>Add/(Deduct) : Contribution to / (from) Council Reserves</u>		To be Determined
<b>Net Expenditure to be met by Council Tax (after contribution to / (from Council Reserves)</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 £47,103 of income		47,103

#### 5.9 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.

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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