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<b>Report To:</b>	<b>The Inverclyde Council</b>	<b>Date:</b>	<b>22 February 2018</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/20/18/AP/LA</b>
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<b>Subject:</b>	<b>Approval of the Band D Council Tax for 2018/19</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to provide information to the Council on the latest position of the 2018/19 Revenue Budget to allow the level of Band D Council Tax for 2018/19 to be determined.

## 2.0 SUMMARY

- 2.1 At its meeting on the 21<sup>st</sup> December 2017 the Council agreed that the date for setting the Band D Council Tax for 2018/19 be the 22<sup>nd</sup> February 2018. This would allow Council Tax bills for the forthcoming year to be issued in an appropriate timescale. At the same meeting it was agreed that the 2018/20 Revenue Budget, however, would be approved at a special meeting of the Council on the 15<sup>th</sup> March 2018 to allow sufficient time for the consideration of the 2018/19 grant settlement for the Council as approved by the Scottish Parliament and to allow time for consideration of the results of the Budget Public Consultation.
- 2.2 The Local Government Finance Act (The Act) 1992 Section 93 states that the Council Tax set should be sufficient to meet the total estimated expenses including contingencies for the forthcoming year. Given the current 3% Council Tax increase limit set by the Scottish Government, then the maximum Council Tax increase will still leave a sizeable funding gap to be closed by the Council when it meets on the 15<sup>th</sup> March.
- 2.3 At the time of preparing the report, the estimated funding gap in 2018/19 prior to the consideration of any increase in Council Tax is estimated to be £2.835 million as illustrated in Appendix 1. The maximum Council Tax increase in 2018/19 is estimated to raise £860,000 in 2018/19. In addition there are savings proposals which have been considered by the relevant strategic committee or are subject to Public Consultation which total £6.367 million in 2018/19 in addition to the continued high level of reserves.
- 2.4 Based on the above there is enough flexibility for the Council to set the Council Tax at today's meeting and balance the 2018/19 Budget on the 15<sup>th</sup> March. As such the Council can satisfy the requirements of the Local Government Finance Act 1992.
- 2.5 Having considered the responses from the Public Consultation summarised in Appendix 3, the Council's current estimated 2018/20 Funding Gap and the requirements of the 1992 Act, the Members' Budget Working Group would recommend that the Band D Council Tax for 2018/19 be set at £1233.94 representing an increase of 3%. For a Band D property this equates to an annual increase of £35.94 or £0.69 per week. The impact across all the Council Tax Bands is illustrated in Appendix 2.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Council:
- a) Notes the advice from the Chief Financial Officer and the Head of Legal & Property Services regarding setting the Band D Council Tax for 2018/19 in advance of confirmation

of the 2018/19 Revenue Budget.

- b) Confirms the decision to increase the Band D Council Tax for 2018/19 by 3%.
- c) Formally agrees the resolution that the level of Band D Council Tax for the year commencing the 1<sup>st</sup> April be £1233.94.
- d) Meets on the 15<sup>th</sup> March 2018 to consider the 2018/20 Budget which will include the finalised Local Government Finance Settlement for Inverclyde Council.

**Alan Puckrin**  
**Chief Financial Officer**

## **4.0 BACKGROUND**

- 4.1 The Council requires to formally approve the level of Band D Council Tax for the forthcoming year as part of the Budget process and prior to Council Tax bills being issued. The Local Government Finance Act 1992 sets a deadline of 11<sup>th</sup> March for Councils to set their Council Tax.
- 4.2 Most Councils however set their Council Tax before the end of February in order that Council Tax bills can be issued in sufficient time to start collecting Council Tax from the 1<sup>st</sup> April. Inverclyde Council is one such Council and at the 21 December Council Meeting it was agreed to set Council Tax for 2018/19 on the 22<sup>nd</sup> February whilst approving the 2018/20 Budget on the 15<sup>th</sup> March.
- 4.3 The Council undertook a similar process in 2016 and at the time received advice from the Head of Legal & Property Services who confirmed that in separating the approval of the Council Tax from final approval of the budget, the Council still fulfilled its legal requirements provided this could be clearly demonstrated.
- 4.4 The Scottish Parliament is due to confirm the Budget for 2018/19 on the 21<sup>st</sup> February and in the event that there is anything within this final decision which materially impacts on the overall budget, then Council will be updated by the Chief Financial Officer at today's meeting.
- 4.5 The Scottish Government wrote to Councils advising them that Council Tax could be increased by a maximum of 3% in 2018/19 and highlighted unquantified financial implications were Council not to agree to this approach.
- 4.6 The Council undertook a Public Consultation on the budget including potential service reductions, increases in charges and on the level of Council Tax. Analysis of the results of the consultation is ongoing and will be presented to members week commencing 26<sup>th</sup> February. However, the results regarding Council Tax have been fast tracked to allow Members to consider the responses as part of this report.

## **5.0 CURRENT POSITION & PROPOSALS**

- 5.1 At the time of preparing the report the estimated funding gap in 2018/19 prior to the consideration of any increase in Council Tax is estimated to be £2.835 million as illustrated in Appendix 1. The maximum Council Tax increase in 2018/19 is estimated to raise £860,000 in 2018/19.
- 5.2 The Local Government Finance Act (The Act) 1992 Section 93 states that the Council Tax set should be sufficient to meet the total estimated expenses including contingencies for the forthcoming year. Given the current 3% Council Tax increase limit set by the Scottish Government then the maximum Council Tax increase will still leave a sizeable funding gap to be closed by the Council when it meets on the 15<sup>th</sup> March.
- 5.3 However, there are savings proposals which have been considered by the relevant strategic committee or which were subject to Public Consultation which total £6.367 million in 2018/19 in addition to £7.2 million of Free Reserves. Therefore there are sufficient options available to the Council to set a legally balanced budget for 2018/19 irrespective of the level of Council Tax agreed at the meeting today.
- 5.4 Having considered the responses from the Public Consultation, the Council's current estimated 2018/20 Funding Gap and the requirements of the 1992 Act, the Members' Budget Working Group would recommend that the Band D Council Tax for 2018/19 be set at £1233.94 representing an increase of 3%. The impact across all the Council Tax Bands is illustrated in Appendix 2.
- 5.5 Members are reminded that Band D Council Tax has remained at £1198 in Inverclyde since 2007/8 with the only increase since then being the national change to Council Tax multipliers for Band E – H properties which was implemented in 2017/18.

## 6.0 IMPLICATIONS

### 6.1 Finance

Based on the budgeted 96.8% Council Tax collection rate and the level of Band D equivalent properties as at 30<sup>th</sup> September, 2017, then a 3% increase in Council Tax is estimated to raise an extra £860,000/year.

#### Financial Implications:

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

##### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Council Tax	Income	2018/19	(860)		Based on a 3% increase in Council Tax and a 96.8% collection rate.

### 6.2 Legal

There is a legal requirement of the Council arising from the Local Government Finance Act 1992 Paragraph 93 for the Council to determine its level of Council Tax for the following financial year no later than the 11<sup>th</sup> March. Approval of this report will fulfil that legal requirement. Council Tax must be set in relation to the total estimated expenses to be incurred by the Council for the relevant year and Appendix 1 specifies the key financial information for 2018/19 in terms of the 1992 Act. The report specifies the relevant current issues affecting the timescales for the Council's financial planning and the information which is awaited and reasonable provision has been made to deal with these circumstances.

### 6.3 Human Resources

There are no HR issues arising from this report.

### 6.4 Equalities

Has an Equality Impact Assessment been carried out?

☐ Yes    See attached appendix

☒ No    This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

### 6.5 Repopulation

There are no repopulation issues arising from this report albeit the level of Council Tax can be a factor which is considered when moving to, from or within an area.

## **7.0 CONSULTATIONS**

- 7.1 A summary of the results of the recent Public Consultation is attached as Appendix 3.
- 7.2 The contents of this report are supported by the Members' Budget Working Group.

## **8.0 LIST OF BACKGROUND PAPERS**

- 8.1 None

### 2018/19 Revenue Budget - Current Position

	£m
Funding Gap as at 21.12.17 Council	4.933
Updated Grant Settlement (23.1.18)	0.182
Extra Funding Agreed at Stage 1 of the Budget Bill	(2.420)
Increased Pay Award Allowance (2018/19)	0.200
Further Adjustments (Note 1)	(0.060)
2018/19 Funding Gap as at 07.02.18	<u>2.835</u>

#### Funding Options - 2018/19

Savings	- Reports to Committee	1.881
	- Public Consultation	4.486
Council Tax	- 3% Increase	0.860
		<u>7.227</u>

Reserves - At the February Policy & Resources Committee it was reported that there is projected to be £7.2 million of unallocated Reserves at 31.03.18

Notes:	£000	Comment
DHP Administration Funding	23	Already in our budget
1 + 2 Languages Funding	42	Already in our budget
Sensory Impairment Funding	(5)	Passport funding to HSCP
	<u>60</u>	

AP/CM  
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### Proposed Council Tax Levels 2018/19

Band	Chargeable Properties*	Band Value	Multiplier	Annual Increase	Weekly Increase	2018/19 Council Tax
A*			200/360	£19.96	£0.38	£685.52
A	17,937 (48.1%)	£0 - £27,000	240/360	£23.96	£0.46	£822.63
B	5683 (15.2%)	£27,001 - £35,000	280/360	£27.95	£0.54	£959.73
C	3413 (9.1%)	£35,001 - £45,000	320/360	£31.95	£0.61	£1,096.84
D	3284 (8.8%)	£45,001 - £58,000	360/360	£35.94	£0.69	£1,233.94
E	3461 (9.3%)	£58,001 - £80,000	473/360	£47.22	£0.91	£1,621.26
F	1890 (5.1%)	£80,001 - £106,000	585/360	£58.40	£1.12	£2,005.15
G	1413 (3.8%)	£106,001 - £212,000	705/360	£70.39	£1.35	£2,416.47
H	210 (0.6%)	£212,0001 +	882/360	£88.05	£1.69	£3,023.15

Note - Estimated to be 37,291 Chargeable Properties

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## BUDGET CONSULTATION FEEDBACK - COUNCIL TAX

The Budget Consultation 2018 included a question about whether there should be an increase in Council Tax in Inverclyde. The following table outlines the responses, together with replies received when the same question was asked during the previous Budget Consultation in 2016/17:

	2018 %	2016/17 %
Yes	66	68
No	34	32.

The next question asked how much people thought the Council Tax should be increased by, respondents provided the following answers:

	2017/18 %	2016/17 %
1%	36	24
2%	20	28
3%	44	48.

- Commentary

During the recent Budget Consultation exercise, two thirds (66%) of people agreed that there should be an increase in Council Tax in Inverclyde; during the Budget Consultation 2016/17, a similar number (68%) also agreed that the Council Tax should increase.

Of the 66% of respondents mentioned above, the highest number (44%) said that the Council Tax should be increased by 3%, down slightly from the 48% who opted for a 3% increase in the previous Budget Consultation. A fifth of respondents (20%) said that the Council Tax increase should be 2%, slightly less than the 28% who opted for this amount during the 2016/17 exercise. Lastly, more than a third (36%) of respondents said a 1% Council Tax increase was their preferred choice; this option was more popular during the recent Budget Consultation with 12% more people choosing this figure.

The majority of respondents indicated that they view an increase in Council Tax as now being acceptable, given that it had not risen for some time, unlike other costs. Respondents also acknowledged that an increase in Council Tax could be used to protect service delivery.

A number of comments were received relating to the charges for higher Banded properties, which refer to the changes to Council Tax by the Scottish Government which were effective from April 2017.

Finally, some people said that they did not support an increase in Council Tax, given that the services delivered by the Council may be reduced, while others said such a rise may make Inverclyde an unaffordable place for them to live.