
Report To:	The Inverclyde Council	Date:	20 February 2020
Report By:	Chief Financial Officer	Report No:	FIN/17/20/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Approval of the Band D Council Tax for 2020/21		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide information to the Council on the latest position of the 2020/21 Revenue Budget to allow the level of Band D Council Tax for 2020/21 to be determined.

2.0 SUMMARY

- 2.1 At its meeting on 19 November 2019, the Policy & Resources Committee agreed that the date for setting the Band D Council Tax for 2020/21 be 20 February 2020. This would allow Council Tax bills for the forthcoming year to be issued in an appropriate timescale. At the same meeting it was agreed to request that the Provost agrees that the 2020/21 Revenue Budget be approved at a special meeting of the Council on 12 March 2020 to allow sufficient time for the consideration of the 2020/21 grant settlement for the Council which is now due to be formally approved by the Scottish Parliament on 5 March 2020.
- 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 Council Tax increase limit advised by the Scottish Government, then the maximum Council Tax increase will still leave a funding gap to be closed by the Council when it meets on 12 March.
- 2.3 The Draft Scottish Budget was announced on 6 February and allocated a General Revenue Grant to Inverclyde Council of £164.653million. After adjusting for new funds which are effectively ring-fenced, the Council is estimated to receive a like for like cash reduction of £1.971million which is £0.971million less grant than the £1.0million reduction allowed for in the Budget Strategy. Officers have reviewed the pay and non-pay inflation contingencies in light of the savings and would propose a £1,050,000 reduction across these. Officers continue to analyse the detail of the settlement and will report any changes as part of the 12 March Council Budget report.
- 2.4 The estimated funding gap in 2020/21 prior to the consideration of any increase in Council Tax is now estimated to be £1.899 million as illustrated in Appendix 1. The maximum Council Tax increase in 2020/21 is estimated to raise £1.53million. In addition Members are considering savings options for 2020/21 which total £3.639 million plus there is a Budget Smoothing reserve of £3.0million and unallocated Free Reserves currently estimated to total £3.14 million by 31 March 2020.
- 2.5 Based on the above there is enough flexibility for the Council to set the Council Tax at today's meeting and balance the 2020/21 Budget on 12 March. As such, the Council can satisfy the requirements of the Local Government Finance Act 1992.
- 2.6 Having considered the options to balance the budget in 2020/21, the Members' Budget Working Group (MBWG) would recommend that the Council agrees a 3.0% increase from 1 April 2020 which would raise an extra £948,000 and increase the Band D Council Tax to £1,331.84. Appendix 3 shows the impact of a 3% increase in Council Tax in 2020/21.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Council:

- a) Approves the budget savings/adjustments totalling £1,071,000 in Appendix 2 and notes the latest position of the 2020/21 Budget set out in Appendix 1.
- b) Notes the advice from the Chief Financial Officer and the Head of Legal & Property Services regarding setting the Band D Council Tax for 2020/21 in advance of confirmation of the 2020/21 Revenue Budget.
- c) Approves the recommendation of the MBWG and confirms that the level of Band D Council Tax for 2020/21 be set at £1,331.84.
- d) Formally agrees the resolution that the level of Band D Council Tax for the year commencing the 1st April.
- e) Meets on the 12 March 2020 to consider the 2020/21 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 March for Councils to set their Council Tax. The 2019/20 Band D Council Tax is £1293.05.
- 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 1 April. Inverclyde Council is one such Council and at the 19 November, 2019 Policy & Resources Committee it was agreed to set the Council Tax for 2020/21 on 20 February whilst asking the Provost to agree to a special Council Meeting to set the 2020/21 Budget on 12 March.
- 4.3 The Council has undertaken a similar process on 3 occasions in the last 4 years and each 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 Draft Scottish Budget was announced on 6 February and allocated a General Revenue Grant to Inverclyde Council of £164.653million. After adjusting for new funds which are effectively ring fenced, the Council is estimated to receive a like for like cash reduction of £1.971million which is £0.971million less grant than the £1.0million reduction allowed for in the Budget Strategy. Officers continue to analyse the detail of the settlement and will report any changes as part of the 12 March Council Budget report.
- 4.5 The Scottish Parliament is due to confirm the Budget for 2020/21 on 5 March. The Scottish Government advised Councils as part of the draft Budget announcement that Council Tax could be increased by a maximum of 4.84% in 2020/21.
- 4.6 The next section of the report sets out the options the Council has to deliver a balanced budget based on the latest figures and these options remain relevant in the event there are any last minute changes to the Council's grant settlement as part of the Parliamentary approval process..

5.0 CURRENT POSITION AND PROPOSALS

- 5.1 At the time of preparing the report, the estimated funding gap in 2020/21 prior to the consideration of any increase in Council Tax is estimated to be £1.899 million as illustrated in Appendix 1. This assumes Members will approve the adjustments/savings shown in Appendix 2. The maximum Council Tax increase in 2020/21 is estimated to raise £1,529,000.
- 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 Council Tax increase limit set by the Scottish Government, then the maximum Council Tax increase will still leave a funding gap to be closed by the Council when it meets on 12 March.
- 5.3 However, there are savings proposals which are currently being considered by Members which would deliver savings of £3.639 million in 2020/21. In addition, the Council has £3.0million in the Budget Smoothing Reserve plus £3.14 million projected to be available in Free Reserves. Therefore there are sufficient options available to the Council to set a legally balanced budget for 2020/21 irrespective of the level of Council Tax agreed at the meeting today.
- 5.4 Having considered the options to balance the budget in 2020/21, the Members' Budget Working Group (MBWG) would recommend that the Council agrees a 3.0% increase from 1 April 2020 which would increase the Band D Council Tax to £1,331.84 and raise an extra £948,000.

6.0 IMPLICATIONS

6.1 Finance

The projected amounts raised from differing levels of Council Tax are as follows:

	<u>£m</u>
1%	0.316
2%	0.632
3%	0.948
4%	1.264
4.84%	1.529

Appendix 3 illustrates the annual and weekly increases based on a 3% increase in Council Tax.

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
Council Tax	Income	2020/21	(948)		Based on a 3.0% increase & a 97.0% collection rate.
Various	Various	2020/21	(1071)		See Appendix 2

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 11 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 2020/21 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

(a) 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.

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report’s recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

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 The contents of this report are supported by the Members’ Budget Working Group.

8.0 LIST OF BACKGROUND PAPERS

8.1 None

2020/21 Revenue Budget - Current Position

	<u>£m</u>
Funding Gap as at 04.02.20 P&R Committee	1.999
Impact of Draft 2020/21 Settlement	0.971
Further Adjustments/Savings (Appendix 2)	(1.071)
2019/20 Funding Gap as at 12.02.20	<u>1.899</u>
 <u>Funding Options - 2020/21</u>	
Savings (20/21 Impact)	3.639
Council Tax - 4.84% Increase	1.527
	<u>5.166</u>

Reserves - At the February Policy & Resources Committee it was reported that there is projected to be £3.14 million of unallocated Reserves at 31.03.20

Note 1 - There remains £3.0 million in the 2020/23 Budget smoothing reserve.

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**2020/23 Budget
Savings & Adjustments for February 2020 Council**

	Savings 2020/21 £000	Savings 2021/22 £000	Savings 2022/23 £000	Comments	FTE
ERR					
1/					
2/					
ECOD					
1/					
2/					
HSCP					
1/ Alcohol & Drugs Service Redesign- Reduction in sessional budgets	21	21	21	Reduced need for sessional resources as a result of the integration of the Alcohol and Drugs teams. Detailed report to the 27.2.20 Health & Social Care Committee	0
2/					
Corporate					
1/ Reduction in the non- pay Inflation Contingency	750	750	750	Now that the draft settlement has been advised , officers have reviewed the inflation contingencies in line with an outstanding audit action	
2/ Reduction in the Pay Inflation Contingency	300	300	300	Now that the draft settlement has been advised , officers have reviewed the inflation contingencies in line with an outstanding audit action	
3/					
4/					
Total	1071	1071	1071		0

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13 February 2020

Council Tax Impact of a 3% Increase in 2020/21

Band	Chargeable Properties*	Band Value	Multiplier	Annual Increase	Weekly Increase	2020/21 Council Tax
A*			200/360	£21.55	£0.41	£739.91
A	18,908 (48.44%)	£0 - £27,000	240/360	£25.86	£0.50	£887.89
B	5,971 (15.30%)	£27,001 - £35,000	280/360	£30.17	£0.58	£1,035.88
C	3,571 (9.15%)	£35,001 - £45,000	320/360	£34.48	£0.66	£1,183.86
D	3,392 (8.69%)	£45,001 - £58,000	360/360	£38.79	£0.75	£1,331.84
E	3,620 (9.27%)	£58,001 - £80,000	473/360	£50.97	£0.98	£1,749.89
F	1,923 (4.93%)	£80,001 - £106,000	585/360	£63.04	£1.21	£2,164.25
G	1,435 (3.67%)	£106,001 - £212,000	705/360	£75.97	£1.46	£2,608.19
H	217 (0.55%)	£212,0001 +	882/360	£95.04	£1.83	£3,263.01

Note - Estimated to be 39,037 Chargeable Properties

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