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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>15 November 2016</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/97/16/AP/LA</b>
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<b>Subject:</b>	<b>Council Tax Reforms Post April 2017</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to highlight to the Committee changes to Council Tax due to come into effect from April 2017.

## 2.0 SUMMARY

- 2.1 As part of its May 2015 manifesto the new Scottish Government undertook to reform Council Tax and to use the £100 million funding generated from these reforms to allocate extra funding directly to schools.
- 2.2 Details of the changes to Council Tax have now been received and the report outlines the high level implications for both the Council and relevant Council Tax payers. The specific impacts will not be able to be fully clarified until Council Tax billing is completed later in February 2017.
- 2.3 Given the potential level of increases for some households officers would advise that it is important that communication takes place with those potentially impacted in advance of annual billing.
- 2.4 The distribution of the £100 million extra attainment funding to be allocated directly to Schools is still being finalised both in terms of quantum and process. A report on this matter will be presented to the Education and Communities Committee once this is clarified.
- 2.5 The Scottish Government has been advised by COSLA that these changes will place additional administrative burdens on Council on a one off and a recurring basis and discussions on potential extra funding will take place as part of the overall 2017/18 budget consideration.
- 2.6 The Scottish Government is also introducing legislation which allows Councils to no longer give a discount on 2<sup>nd</sup> homes. In Inverclyde the current discount is 10% (it can be as high as 50%) and there are currently just over 100 2<sup>nd</sup> homes in Inverclyde. Officers would recommend that in the event that the legislation is passed, the Council no longer offer a discount from 2017/18.
- 2.7 It is important that the Committee note that these changes to Council Tax are outwith any potential increase in Council Tax which the Council could agree as part of its consideration of the 2017/18 Revenue Budget. The Committee is reminded that Council Tax is capped at a maximum of 3% increase per year for the duration of this Scottish Parliament.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the implications of the proposed changes to Council Tax due to be implemented from April 2017.
- 3.2 It is recommended that the Committee agree that, subject to the legislation on 2<sup>nd</sup> homes being passed, the Council no longer give a 10% discount on Council Tax from 2017/18.

- 3.3 It is recommended that the Committee agree that appropriate communication take place with those Council Tax payers potentially impacted by these changes and that Officers progress this once details are fully clarified.
- 3.4 It is recommended that the Committee note that a report will be presented to the Education & Communities Committee on the Council's share and utilisation of the increased schools funding once details are known.

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

## 4.0 BACKGROUND

- 4.1 The new SNP Scottish Government contained within its manifesto a commitment to reform Council Tax. Linked to this was a commitment to allocate the extra funding generated from the reform of Council Tax directly to Schools.
- 4.2 It is intended that £100 million net of reliefs will be raised nationally by changing the multipliers for properties in Band E, Band F, Band G and Band H properties from April 2017. In addition the Scottish Government intends to lift its freeze on the Council Tax but replace this with a 3% annual cap in Council Tax increases from 2017/18.

## 5.0 PROPOSED CHANGES TO COUNCIL TAX FROM APRIL 2017

- 5.1 The changes proposed can be broken into 4 main areas as follows:

- a) Changes to the Council Tax multipliers.
- b) Changes to the Council Tax Reduction Scheme.
- c) Utilisation of the extra funds generated.
- d) Changes to 2<sup>nd</sup> Homes discounts.

- 5.2 **Changes to the Council Tax multipliers** – Appendix 1 shows the impact of the changes in multipliers for those properties in Band E, Band F, Band G and Band H. From this it can be seen that the percentage increase in Council Tax from April 2017 ranges from 7.5% for a Band E property to 22.5% for a Band H property. Within Inverclyde a snapshot for the number of chargeable properties within each band is as follows:

Band E – 3436  
Band F – 1904  
Band G – 1410  
Band H – 209

- 5.3 **Council Tax Reduction Changes** – Council Tax Reduction replaced Council Tax Benefit in 2013 and is a fully devolved power for the Scottish Government. The Scottish Government has advised that those Council Tax payers in higher band properties with incomes of below £25,000 would be fully protected from the increases. This will not only include current Council Tax Reduction recipients but will also bring other Council Tax payers into the Council Tax Reduction scheme.
- 5.4 In addition the Scottish Government proposes to increase the Child Premium from £66.90 per week to £83.63 per week. This will increase Council Tax Reduction for existing recipients who are on the taper but also may enable households just outside the Council Tax Reduction scheme to be eligible for an award.
- 5.5 It is estimated by the Scottish Government that the total increase in Council Tax Reduction arising from these proposals will not exceed £17 million.
- 5.6 **Use of the extra funds generated** – It is estimated by the Scottish Government that £109 million gross will be generated from the change in multipliers. As can be seen from 5.5 the increased Council Tax Reduction costs are expected to be approximately £17 million meaning that the net amount generated is £92 million for Councils.
- 5.7 The Scottish Government has committed to allocate £100 million per year directly to schools from the extra sum generated and as such the expectation from Local Government will be that the £8 million shortfall between £100 million and £92 million will be funded by the Scottish Government within the General Grant Settlement from 2017/18.
- 5.8 Whilst the Scottish Government has been clear that the £100 million sum will be distributed to schools in order to increase attainment the method of distribution and the amount that each Council will receive has yet to be determined.

5.9 **Changes to Second Homes discounts** - The Scottish Government is also introducing legislation which allows Councils to no longer give a discount on 2<sup>nd</sup> homes. In Inverclyde the current discount is 10% (it can be as high as 50%) and there are currently just over 100 2<sup>nd</sup> homes in Inverclyde.

## 6.0 ESTIMATED IMPACT FOR INVERCLYDE COUNCIL

6.1 Based on a snapshot of the Council Tax billing system it is estimated that the change in multipliers would generate approximately £1.3 million gross per year. On the assumption that the increase in Council Tax Reduction costs in Inverclyde will mirror the estimated figures from the Scottish Government then this figure will reduce to approximately £1.1 million.

6.2 Whilst the methodology for distributing the £100 million “Attainment Funding” across Scotland has yet to be agreed it would be anticipated that Inverclyde would receive a higher than average share given the indicators which are usually used for the distribution of such funding. Were for example the Council to receive 1.75% of the national pot then it would receive £1.75 million compared to the estimated £1.1 million that it would pay into the pot.

6.3 The above estimated calculation illustrates that across Scotland there will be Councils who receive more from the £100 million than they raise from the increase in Council Tax and vice versa.

6.4 It is estimated that no longer rewarding a 10% 2<sup>nd</sup> Homes discount will raise £14,000 per year. Given the major financial challenges faced by the Council it is recommended that from 2017/18 the 10% discount is no longer given.

## 7.0 IMPLICATIONS

### 7.1 Finance

In addition to the extra Council Tax income generated, the increase in Council Tax Reduction costs and the receipt of the Attainment Funding it is clear that there will be some one off and recurring costs to be incurred by the Finance Service as a result of this change. This will include costs of software changes, increase mailing and administration costs and a potential shortfall in Council Tax Reduction budgets. These matters are being taken up by COSLA with the Scottish Government as part of the 2017/18 Spending Review.

#### 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	2017/18	(1100) est	-	Estimated net income to the Council
Schools	Various	2017/18	Tbc	-	Share of the £100 million Attainment Funding Increase
Council Tax	Income	2017/18	(14)	-	Impact of no longer awarding a 10% 2 <sup>nd</sup> Homes discount

## 7.2 Legal

The Scottish Statutory Instruments for both Council Tax and Council Tax Reduction are currently progressing through the parliamentary process and will be in place in sufficient time for 2017/18 Annual Billing of Council Tax.

## 7.3 Human Resources

There are no HR implications arising from this report.

## 7.4 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.

## 7.5 Repopulation

As the changes in Council Tax are being implemented at a National Level there will be no specific impact on Inverclyde Council's repopulation agenda arising from these changes.

## 8.0 CONSULTATIONS

8.1 The Corporate Director Education, Communities and Organisation & Development and the Head of Legal and Property Services have been consulted in the preparation of this report.

## 9.0 LIST OF BACKGROUND PAPERS

9.1 None

Council Tax Liability Changes

<b><u>Band</u></b>	<b><u>Factor</u></b>	<b><u>Current</u></b>		<b><u>From 2017/18</u></b>		<b><u>£ Increase</u></b>	<b><u>% Increase</u></b>
		<b><u>£</u></b>	<b><u>Factor</u></b>	<b><u>£</u></b>			
<b>A (Disabled)</b>	<b>5/9</b>	<b>666</b>	<b>200/360</b>	<b>666</b>	<b>-</b>	<b>-</b>	
<b>A</b>	<b>6/9</b>	<b>799</b>	<b>240/360</b>	<b>799</b>	<b>-</b>	<b>-</b>	
<b>B</b>	<b>7/9</b>	<b>932</b>	<b>280/360</b>	<b>932</b>	<b>-</b>	<b>-</b>	
<b>C</b>	<b>8/9</b>	<b>1065</b>	<b>320/360</b>	<b>1065</b>	<b>-</b>	<b>-</b>	
<b>D</b>	<b>9/9</b>	<b>1198</b>	<b>360/360</b>	<b>1198</b>	<b>-</b>	<b>-</b>	
<b>E</b>	<b>11/9</b>	<b>1464</b>	<b>473/360</b>	<b>1574</b>	<b>110</b>	<b>7.5%</b>	
<b>F</b>	<b>13/9</b>	<b>1730</b>	<b>585/360</b>	<b>1947</b>	<b>217</b>	<b>12.5%</b>	
<b>G</b>	<b>15/9</b>	<b>1997</b>	<b>705/360</b>	<b>2346</b>	<b>349</b>	<b>17.5%</b>	
<b>H</b>	<b>18/9</b>	<b>2396</b>	<b>882/360</b>	<b>2935</b>	<b>539</b>	<b>22.5%</b>	