

**REPORT TO:** East Lothian Council

**MEETING DATE:** 12 February 2013

**BY:** Executive Director (Support Services)

**SUBJECT:** Council Tax 2013/14

---

**1 PURPOSE**

- 1.1 To set the Council Tax charges for the 2013/14 tax year.

**2 RECOMMENDATIONS**

- 2.1 The Council is recommended to:
- 1) Approve the Council Tax charges for 2013/14 as listed at Section 3.8
  - 2) Approve the continued operation of the Council Tax advance payment discount at 2%.
  - 3) Approve the Council Tax second home and long-term empty property discount remains at 10% for 2013/14.
  - 4) Note the changes made to the 2013/14 budgets in relation to the cessation of the national Council Tax Benefit scheme and the new financial risks which the Council now faces.

**3 BACKGROUND**

- 3.1 The Council is required by law to set its Council Tax annually for the year ahead. In the past, this has been done as part of setting an overall General Services budget and varying Council Tax to support the Council's decisions on the services to be provided for the year ahead.
- 3.2 However, in recent years the levels of the Council Tax have been the subject of national debate and since 2007/2008 the 32 Scottish local authorities have been offered incentives to freeze the levels of the tax. Given the favourable incentives available, all have accepted the offers made by the Scottish Government and as a result the Council Tax decision has now effectively become detached from the General Services budget decisions.

- 3.3 Nevertheless, it remains important for the Council to:
- Note the basis of the offer of grant funding made by the Cabinet Secretary for Finance to local authorities and the particular commitments which are part of the offer
  - Formally approve the Council Tax levels for the coming year and record important decisions regarding the various discretionary discounts which the Council applies
  - Receive information about the amounts involved and any other significant changes to the whole Council Tax system.
- 3.4 In a letter to COSLA at the end of September 2012, John Swinney, the Scottish Cabinet Secretary for Finance Government outlined the terms of the financial settlement to be provided to local government for the 2013/14 financial year. Importantly, the settlement held back two amounts to deliver specific commitments. These are as follows;
- £70 million has been retained to fund the maintenance of the Council Tax freeze for 2013/14;
  - £39 million has been retained to maintain teacher numbers in line with pupil numbers and secure places for all probationers who required a place within the teacher induction scheme.
- 3.5 In a change from the practice of previous years only those Councils who do not intend to take up the offer of funding are required to write to the Cabinet Secretary for Finance.
- 3.6 East Lothian Council's share of the £70 million has been confirmed as £1.4 million. As each 1% increase in Council Tax would raise £0.45 million, a tax increase of over 3% would be needed just to make up lost grant funding if the Council chose to implement any Council Tax increase.
- 3.7 Discussions with all political groups, as part of the 2013/14 budget preparations, have confirmed that all groups wish to take up the offer of grant funding made by the Cabinet Secretary and also therefore to apply a Council Tax freeze for 2013/14.

### **Council Tax Charges**

- 3.8 The charges which will apply for 2013/14 are listed overleaf.

<b>Band</b>	<b>Band Value (£)</b>	<b>Fraction of Band D</b>	<b>Charge for the Year (£)</b>
Band A	Up to 27,000	6/9	745.08
Band B	27 to 35,000	7/9	869.26
Band C	35 to 45,000	8/9	993.44
Band D	45 to 58,000	9/9	1,117.62
Band E	58 to 80,000	11/9	1,365.98
Band F	80 to 106,000	13/9	1,614.34
Band G	106 to 212,000	15/9	1,862.70
Band H	over 212,000	18/9	2,235.24

- 3.9 The Council is required to declare a Band D tax. All other tax band rates vary as a fraction of the Band D figure. The Council has no discretion over these fractions.

#### **Early Payment Discount**

- 3.10 To support higher levels of tax collection, I recommend that the Council should continue to offer an early payment discount of 2% for any taxpayer that settles their tax bill in full in advance. This discount continues to be significantly lower than the average rate at which the Council borrows funds and I expect that position to continue throughout 2013/14.

#### **Empty Dwellings and Second Homes Discount**

- 3.11 Since 2005 the Council has reduced the discount awarded to empty dwellings and second homes to 10%, which, up to this point, is the minimum discount allowed under the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2004.
- 3.12 However, the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 was passed in October 2012. The Act is aimed at encouraging owners of empty domestic and commercial properties to bring them back into productive use – primarily by diluting the tax support available to owners. In particular, it is proposed that Council's will have the discretion to both remove the discount on certain types of unoccupied homes and to increase the level of Council Tax payable on these properties by up to 100%. The Act has no implications for charges applicable to second homes.
- 3.13 The Scottish Government has laid regulations before Parliament outlining the detailed rules and discretions which will apply. These regulations have only been brought into force within recent days.
- 3.14 Until the implications of these new regulations are clear, enabling the matter to be fully considered by the Council, I recommend that the 10% discount levels for empty and second home properties are continued for 2013/14.

## **Council Tax Reduction Scheme**

- 3.15 Members will be aware that from 01 April 2013 the previous Council Tax benefit system is being replaced by an interim Council Tax reduction scheme. The funds for this are to be transferred from the Department for Work and Pension to the devolved administrations but with a reduction of 10% in the overall level of funding. During 2012/13 East Lothian Council would expect to award approximately £5.7 million in Council Tax benefits. On a 'pro-rata' basis the Council's share of the reduction is therefore £570,000.
- 3.16 For 2013/14 the Scottish Government and local authorities have agreed to cover the estimated £40 million national cost of the shortfall – with the Scottish Government providing £23 million and local authorities providing the remaining £17 million.
- 3.17 In the case of East Lothian Council it has meant:
- An additional £281,000 from the Scottish Government. At this stage however, they have only released 80% of their promised contribution – with the remaining 20% to be released when the costs of the scheme become clearer
  - The Council having to set aside £260,000 from its own resources to support the replacement Council Tax benefit scheme.
- 3.18 Members should note that the introduction of these changes and the delegation of the scheme significantly increase the financial risk for the Council. In the past the cost of the Council Tax benefit scheme was largely met by the Department for Work and Pensions. Going forward,
- There is currently no commitment from the Scottish Government to fund their share of the 10% shortfall beyond 2013/14
  - Councils will now bear the financial risk where claims for Council Tax support increase - either because of general economic conditions or because of an increasing population within the local authority's boundaries.

## **4 POLICY IMPLICATIONS**

- 4.1 The Council has a range of plans and strategies and the funding from Council Tax is an important part of putting those into effect.

## **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 An equalities impact assessment has been carried out on the various proposals in this report. Overall, it is considered that a freeze in Council Tax levels has a preferable impact upon the community than the alternative of increasing Council Tax by more than 3% to compensate for

any grant loss that would occur if the Scottish Government's offer was not taken up. There are no equality implications arising from the introduction of the Council Tax Reduction Scheme in Year 1 but further work will be required to assess the potential impact in subsequent years.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – as described above in Section 3.
- 6.2 Personnel – none.
- 6.3 Other – none.

## **7 BACKGROUND PAPERS**

- 7.1 Council 14 February 2012 – Council Financial Strategy 2012/13 to 2014/15
- 7.2 Scottish Executive Finance Circular No 5/2012 – Local Government Finance Settlement 2013/14, and Changes in 2012/13
- 7.3 Letter to COSLA – 20<sup>th</sup> September 2012

<b>AUTHOR'S NAME</b>	Jim Lamond
<b>DESIGNATION</b>	Head of Council Resources
<b>CONTACT INFO</b>	<a href="mailto:jlamond@eastlothian.gov.uk">jlamond@eastlothian.gov.uk</a>
<b>DATE</b>	7 February 2013