

REPORT TO: East Lothian Council

MEETING DATE: 11 February 2014

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Council Tax 2014/15

1 PURPOSE

- 1.1 To set the Council Tax charges for the 2014/15 tax year.

2 RECOMMENDATIONS

- 2.1 The Council is recommended to:
- 1) Approve the Council Tax charges for 2014/15 as listed at Section 3.8
 - 2) Approve the continued operation of the Council Tax advance payment discount at 2%.
 - 3) Approve the continuation of the Council Tax second home discount at 10%.

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 Since 2007/2008 Scottish local authorities have been offered funding to freeze the levels of the Council Tax. Up to this point, all Scottish local authorities have accepted the funding which has been offered.
- 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 2013, John Swinney, the Scottish Cabinet Secretary for Finance Government outlined the terms of the financial settlement to be provided to local government for the 2014/15 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 2014/15;
 - £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 As in 2013/14, only those Councils who do not intend to take up the offer of funding are required to write to the Cabinet Secretary for Finance. If any Council Leader replies to confirm that their Council does not accept the offer then the full amount of the Council's needs based share of the £109m sanction will be withdrawn from the local government settlement and redeployed by Scottish Ministers.
- 3.6 East Lothian Council's share of the £70 million, in relation to the Council Tax freeze, has been confirmed as £1.402 million. As each 1% increase in Council Tax would raise £0.47 million, a tax increase of 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 2014/15 budget preparations, have confirmed that all groups intend to take up the offer of grant funding made by the Cabinet Secretary and also therefore to apply a Council Tax freeze for 2014/15.

Council Tax Charges

- 3.8 The charges which will apply for 2014/15 are listed overleaf.

Band	Band Value (£)	Fraction of Band D	Charge for the Year (£)
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 2014/15.

Empty Dwellings and Second Homes Discount

- 3.11 Since 2005 the Council has been able to vary the discount awarded to empty dwellings and second homes. In October 2012 the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 was passed. 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. As part of the Act, Council's now 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.

- 3.12 At the 17th December 2013 meeting the Council agreed to;

- Remove the 10% Council Tax discount on certain long term empty properties from 1 April 2014; and
- Apply additional council tax charges on certain long term empty homes in stages as follows;
 - 50% after 24 months (applicable from 1 April 2015)
 - 100% after 36 months (applicable from 1 April 2016)

- 3.13 These changes, in relation to empty property discounts and charges will begin to be applied from April 2014. In relation to the Second Homes discount I am now recommending that the discount continues at 10% - the minimum discount that can be applied.
- 3.14 Details of the current rates payable on empty properties are detailed at Appendix A.

Council Tax Reduction Scheme

- 3.15 Members will be aware that from 01 April 2013 the previous Council Tax benefit system has been replaced by an interim Council Tax reduction scheme. The funds have now been removed from the budget of the Department for Work and Pension and added to the budget of the devolved administrations - but with a reduction of 10% in the overall level of funding.
- 3.16 The shortfall for 2013/14 was met from an additional Scottish Government contribution and from the Council setting aside £260,000 from its own resources.
- 3.17 During 2013/14 East Lothian Council has received £5.23 million in funding for Council Tax benefits from the Scottish Government. The latest version of the Finance Circular from the Scottish Government has confirmed that this funding will continue into 2014/15 and 2015/16.
- 3.18 Members should note that the introduction of these changes and the delegation of the scheme 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, councils now bear an element of 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 12 February 2013 – Council Financial Strategy 2013/14 to 2015/16
- 7.2 Council 17 December 2013 – Council Tax Discount on Long Term Empty Homes 2014/15
- 7.3 Scottish Government Finance Circular No 6/2013 – Local Government Finance Settlement 2014/15 and Business Rates Poundage Level and Relief Thresholds.

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East Lothian Council Empty Property Guide from 1st April 2014

	From empty date up to 6 months	From 7 to 12 months	From 13 months to 24 months	From 25 months to 36 months	From 37 months to 48 months	49 months onwards
Unoccupied and unfurnished	Exemption	50 % discount	Standard charge	50% premium	100% premium	
Unoccupied and unfurnished plus eligible for exclusion from increase (for sale or let)	Exemption	50 % discount	10 % discount	Standard charge	50% premium	100% premium
Unoccupied and furnished	10 % discount		Standard charge	50% premium	100% premium	
Unoccupied and furnished plus eligible for exclusion from increase (for sale or let)	10 % discount			Standard charge	50% premium	100% premium
Second Home	10 % discount					
Uninhabitable due to major repairs	Exemption		10% discount			
Unoccupied and permanent/temporary exemption (e.g. prohibited by law, reposessed, difficult to let separately etc.)	Exemption for as long as circumstances stay the same. After that, unoccupied and unfurnished or unoccupied and furnished applies (e.g. 50% discount or 10 % discount)					
Purpose built holiday homes and second homes of people living in job-related accommodation	50 % discount					