

REPORT TO: East Lothian Council

MEETING DATE: 10 February 2015

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Council Tax 2015/16

1 PURPOSE

- 1.1 To set the Council Tax charges for the 2015/16 year.

2 RECOMMENDATIONS

The Council is recommended to approve:

- 2.1 the Council Tax charges for the 2015/16 year as listed at Section 3.8.
- 2.2 the continued operation of the Council Tax advance payment discount at 2%.
- 2.3 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 previous years, 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 2007/08, the funding provided to Local Government has been set within a national settlement concordat that has seen Council Tax levels frozen. Up to this point, all Scottish Local Authorities have accepted the funding which has been offered. It remains important for the Council to consider the following areas in relation to setting the 2015/16 Council Tax levels:
- Note the basis of the offer of grant funding made by the Cabinet Secretary for Finance to all Scottish 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.
- 3.3 The Cabinet Secretary for Finance, Constitution and Economy, John Swinney, set out the terms of the 2015/16 financial settlement to be provided to Scottish Local Government in a letter to COSLA at the beginning of October 2014. In line with previous years, the settlement continues to hold back £70m from Councils in return for the continued delivery of specific commitments including:
- A further freeze in Council Tax levels for 2015/16.
 - Providing places for all probationers under the teacher induction scheme.
- 3.4 The letter to COSLA also set out a timetable to review the wider commitment around maintaining teacher numbers in line with pupil numbers, the specific delivery of which has in recent years formed part of the funding package to Councils.
- 3.5 As in 2014/15, only those Councils who do not intend to take up the offer of funding are required to write to the Cabinet Secretary. If any Council Leader replies to confirm that their Council does not accept the offer, then the full amount of that Council's needs based share of the £70m 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 £1.416 million. As each 1% increase in Council Tax would raise around £0.4 million, a tax increase in excess of 3.4% would be needed just to make up lost grant funding if the Council chose to implement any Council Tax increase.
- 3.7 Both political groups, as part of the 2015/16 budget preparations, have confirmed that they intend to take up the offer of grant funding made by the Cabinet Secretary and also therefore to apply a Council Tax freeze for 2015/16.

Council Tax Charges

3.8 The charges which will apply for 2015/16 are as follows:

Band	Band Value (£)	Fraction of Band D	Charge for the full year 2015/16 (£)
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, it is recommended that the Council should continue to offer an early payment discount of 2% for any taxpayer who settles their Council Tax bill in full, in advance of 1st April 2015. This discount continues to be significantly lower than the average rate at which the Council borrows funds and this position is expected to continue throughout 2015/16.

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 (Unoccupied Properties etc.) (Scotland) Act 2012 was passed. The Act is aimed at encouraging owners of empty domestic properties to bring them back into productive use – primarily by diluting the tax support available to owners. As part of the Act, Councils 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 On 17th December 2013, the Council agreed to:
- Remove the 10% Council Tax discount on certain long term empty properties from 1st April 2014
 - Apply additional Council Tax charges on certain long term empty homes in stages as follows:
 - 50% after 24 months (applicable from 1st April 2015)
 - 100% after 36 months (applicable from 1st April 2016)
- 3.13 Members should note that, with effect from 1st April 2015, the Council will increase the level of Council Tax payable by 50% on certain properties which have been empty continuously since 1st April 2013.
- 3.14 In relation to second homes discount, it is recommended that the discount continues at 10% which is the minimum discount that can be applied.
- 3.15 Details of current rates payable on empty properties are shown at Appendix 1.

Council Tax Reduction Scheme

- 3.16 Members will be aware that from 1st April 2013, the previous Council Tax Benefit scheme was replaced by the Council Tax Reduction Scheme. The funds for the scheme were removed from the budget of the Department for Work and Pensions and added to the budget of the devolved administrations, with a reduction of 10% in the overall level of funding.
- 3.17 The funding shortfalls for both 2013/14 and 2014/15 were met from an additional Scottish Government contribution and from the Council setting aside £260,000 in 2013/14 and £245,000 in 2014/15 from its own resources. It is estimated that the Council will be required to sustain this level of funding for 2015/16.
- 3.18 During 2013/14, the Council received £5.3 million in funding for the Council Tax Reduction Scheme from the Scottish Government. This funding is expected to be £5.245m for 2014/15 and whilst it is understood that this level of funding will continue through 2015/16, the latest version of the Scottish Government Finance Circular advises that this is still to be confirmed. An overall budget of £5.490m has continued to be reflected within the 2015/16 budget.
- 3.19 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. Councils now bear an element of financial risk where claims for Council Tax Reduction increase, either due to general economic conditions or because of an increasing population within East Lothian.

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 The Council's budget proposals including the setting of Council Tax will have significant impact on the future delivery of services by East Lothian Council and therefore a potential impact on the wellbeing of equality groups. It is recommended that the EQIA is considered as an ongoing process as part of the development and delivery of Council budgets.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 Council 12th February 2013 – Council Financial Strategy 2013/14 to 2015/16.
- 7.2 Council 17th December 2013 – Council Tax Discount on Long Term Empty Homes 2014/15
- 7.3 Scottish Government Finance Circular No 9/2014 – Local Government Finance Settlement 2015/16 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 within first 12 months)	Exemption	50 % discount	10 % discount	Standard charge	50% premium	100% premium	
Unoccupied and unfurnished plus eligible for exclusion from increase (for sale or let at start of month 16)	Exemption	50 % discount	Standard charge	10 % discount	Standard charge	50% premium	100% premium
Unoccupied and unfurnished plus eligible for exclusion from increase (for sale or let at start of month 28)	Exemption	50 % discount	Standard charge	50% premium	10 % discount	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 within first 12 months)	10 % discount			Standard charge	50% premium	100% premium	
Unoccupied and furnished plus eligible for exclusion from increase (for sale or let at start of month 16)	10 % discount		Standard charge	10 % discount	Standard charge	50% premium	100% premium
Unoccupied and furnished plus eligible for exclusion from increase (for sale or let at start of month 28)	10 % discount		Standard charge	50% premium	10 % discount	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						