

REPORT TO: East Lothian Council

MEETING DATE: 9 February 2016

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Council Tax 2016/17

1 PURPOSE

- 1.1 To set the Council Tax charges for the 2016/17 financial year.

2 RECOMMENDATIONS

- 2.1 The Council is recommended to approve:
- The Council Tax charges for the 2016/17 financial year as listed at Section 3.5.
 - 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. The 2016/17 local government finance settlement on offer remains conditional upon the delivery of a package of measures, within which **all** commitments must be met, including the maintenance of a Council tax freeze in 2016/17. Given this, and in setting the Council tax levels for 2016/17, it remains important for the Council to consider the following areas:

- The conditions of the grant offer made by the Deputy First Minister, including the financial sanctions should the Council not agree to support the settlement and specified commitments on 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 More detail around the settlement and its conditions are set out in the previous paper to Council which sets out the Financial Strategy. Any council that does not formally agree to all of the measures will not receive their share of £408M nationally, which for East Lothian Council, would mean a loss of £7.8M. The effect of this lower grant award would require a compensating Council Tax increase of nearly 17%.

3.4 All Councils intending to take up the settlement on offer are required to confirm their acceptance in writing no later than **Tuesday 9 February 2016**. Both political groups, as part of the 2016/17 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 2016/17.

Council Tax Charges

3.5 The charges which will apply for 2016/17 are as follows:

Band	Band Value (£)	Fraction of Band D	Charge for the full year 2016/17 (£)
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

- 3.6 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

- 3.7 In previous years the Council has offered an early payment to taxpayers who settle their Council Tax bill in full, in advance of 1st April in any financial year. In 2015/16 East Lothian was the only Council in Scotland to offer this discount. Given the current economic circumstances and with prevailing low interest rates, I have recommended to both political groups that this discount should be removed, which would generate an additional £30k in Council Tax yield.

Empty Dwellings and Second Homes Discount

- 3.8 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.

- 3.9 On 17th December 2013, the Council agreed to:

- Remove the 10% Council Tax discount on certain long term empty properties
- Apply additional Council Tax charges on certain long term empty homes in stages as follows:
 - 50% after 24 months
 - 100% after 36 months

- 3.10 Members should note that, with effect from 1st April 2016, the Council will increase the level of Council Tax payable by 100% on certain properties which have been empty continuously since 1st April 2013.

- 3.11 In relation to second homes discount, it is recommended that the discount continues at 10% which is the minimum discount that can be applied.

- 3.12 Details of current rates payable on empty properties are shown at **Appendix 1**.

Council Tax Reduction Scheme

- 3.13 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.

- 3.14 An overall budget of £5.490m has continued to be reflected as appropriate to maintain the current Council Tax Reduction Scheme. This has been funded by a combination of Scottish Government grant of £5.276M, with the balance of £0.214M to be met from within council resources.
- 3.15 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 17th December 2013 – Council Tax Discount on Long Term Empty Homes 2014/15
- 7.2 Council 9 February 2016 – “Council Financial Strategy 2016/17 to 2018/19”

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DATE	4 February 2016

Appendix 1

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		50% premium	100% premium	
Unoccupied and unfurnished plus eligible for exclusion from increase (for sale or let at start of month 17)	Exemption	50 % discount	Standard charge	10 % discount	50% premium	100% premium	
Unoccupied and unfurnished plus eligible for exclusion from increase (for sale or let at start of month 21)	Exemption	50 % discount	Standard charge	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		10 % discount		50% premium	100% premium	
Unoccupied and furnished plus eligible for exclusion from increase (for sale or let at start of month 17)	10 % discount		Standard charge	10 % discount	50% premium	100% premium	
Unoccupied and furnished plus eligible for exclusion from increase (for sale or let at start of month 21)	10 % discount		Standard charge	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, repossessed, 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						