

DATA LABEL: PUBLIC



PARTNERSHIP AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY PANEL

COUNCIL TAX SCENARIOS 2022/23

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To provide the Panel with an appraisal of potential scenarios regarding future council tax increases to inform discussions on the approach to achieving a balanced budget for 2022/23, which is the last year of the revenue strategy for the period 2018/19 to 2022/23.

B. RECOMMENDATION

It is recommended that Panel:

1. Notes the benchmarking information provided in section D.2.2 on the rates of council tax across Scotland and England, compared to the council tax level in West Lothian;
2. Notes the potential rates of council tax for the period 2022/23 set out in section D.3 and the potential council tax scenarios to significantly reduce the extent of further service reductions to 2022/23;
3. Notes the considerations and factors to mitigate the impact of raising council tax on people on lowest incomes in West Lothian communities provided in section D.4;
4. Notes the 2022/23 Scottish Budget announcement in section D.5 in relation to councils having full flexibility to set the Council Tax rate for 2022/23 that is appropriate for their local authority area.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making the best use of resources, focusing on our customers' needs and working in partnership.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The council is required to approve a balanced revenue budget for each financial year. Audit Scotland, the Accounts Commission and the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice guidance recommends medium term financial plans are prepared for at least five years in duration, with detailed budgets prepared for at least three years.
III Implications for Scheme of Delegations to Officers	No implications at this stage.
IV Impact on performance and performance Indicators	Ongoing restraint in relation to government grant funding inevitably has implications for the council's budget and performance.
V Relevance to Single Outcome Agreement	The revenue budget provides resources necessary to help deliver the Single Outcome Agreement, Corporate Plan and council activities. Effective prioritisation of resources is essential to achieving key outcomes.

VI Resources - (Financial, Staffing and Property)

Scottish Government revenue grant funding is not sufficient to meet the increasing costs and demand for services. Subject to the local government finance settlement, the aim is to balance the budget on a recurring basis with no additional savings, where possible. It is anticipated that one off resources will continue to be required to address temporary pressures associated with the Covid-19 pandemic.

VII Consideration at PDSP

The Partnership and Resources PDSP receives quarterly updates on the financial outlook facing the council.

VIII Other consultations

There were consultations with the public on future levels of council tax in West Lothian as part of the Delivering Better Outcomes consultation.

D. TERMS OF REPORT**D.1 BACKGROUND**

On 25 February 2021, West Lothian Council agreed an updated financial plan for two years and detailed revenue budgets for the two years 2021/22 to 2022/23. The approved budgets included budget savings to balance the budget in each of the two years along with the allocation of one-off resources to a number of priority areas of investment. In addition, Council agreed budget savings of £18.9 million over the two year period to 2022/23.

D.2 COUNCIL TAX BACKGROUND**D.2.1 Scottish Government Policy in relation to Council Tax**

During the nine year period 2008/09 to 2016/17 Scottish Government policy resulted in a council tax freeze in all Scottish local authorities. This was during a period where average inflation was 2.6% per annum and the population of West Lothian increased from 171,380 in 2008 to 181,310 in 2017.

The council's share of the Council Tax freeze funding over the nine year period 2008/09 to 2016/17 was £18.8 million. This income was equivalent to a 3% per year increase in Council Tax. This freeze resulted in the rate of council tax no longer taking account of the increasing costs of providing services, and it also restricted the ability of local authorities to balance their budgets using council tax, which resulted in significant additional savings having to be agreed.

If council tax had been increased by 3% per annum in each of the nine years between 2008/09 and 2016/17, band D council tax would have been £1,561.42. This is £285 more than the 2021/22 council tax band D rate of £1,276.42. This demonstrates that, even with the opportunities to change the rates of council tax following 2016/17, households are still in receipt of relatively lower charges for services and significant additional savings have been required to cover the shortfall resulting from not increasing council tax for an extended period of time.

The Scottish Governments policy on council tax was that all councils had the ability, should they wish, to increase council tax by 3% in 2017/18 and 2018/19. In 2019/20 the Scottish Government announced new council tax flexibilities allowing local authorities to increase council tax by 3% in real terms, which was a 4.79% maximum cash increase in 2019/20 based on the GDP deflator. Similarly in 2020/21 the new council tax flexibilities allowed an increase of 4.84%.

In 2021/22 the Scottish Government offered a £90 million incentive to local authorities to freeze council tax rates to prevent household bills rising, this was equivalent to a income from 3% increase in council tax.

D.2.2 Benchmarking

A review of the rates of council tax in Scotland and England has been undertaken to better understand the range of council tax rates in comparison to West Lothian, as well as considering wage growth versus council tax growth to consider our communities ability to pay council tax.

Council Tax in Scotland

The Scottish average band D council tax (based on total band D equivalents) is £1,308 compared with the West Lothian 2021/22 band D rate of £1,276.42, West Lothian Council has the tenth lowest council tax band D rate in Scotland. A table setting out the band D rates across Scotland is attached in Appendix 1.

From 2017/18 to 2021/22 the average band D council tax rate for Scotland has increased from £1,173 to £1,308, an increase of £135 (11.5%) or 65p per week for four years. West Lothian's band D rate has increased by £148.42 (13.2%) or 71p per week over the same period.

As noted in section D.2.1, in financial year 2019/20 the Scottish Government announced new council tax flexibilities allowing local authorities to increase council tax by 3% in real terms, which was a 4.79% maximum cash increase based on the GDP deflator. Following this, West Lothian Council agreed that council tax would be increased by 4.79% in 2019/20, along with ten other councils. A total of 21 councils (including West Lothian) increased the rate of council tax by more than 3% in 2019/20. It should be noted that this increase had no negative impact on the collection of the 2019/20 council tax charges, with the year end collection rate being 0.23% higher than 2018/19. Under the Scottish Government policy of continuing real terms increase of 3%, local authorities had the power to increase council tax by 4.84% in 2020/21. Including West Lothian Council, 20 councils increased their council tax by 4.84%, with 27 councils (including West Lothian Council) increasing their council tax by more than 4%.

In 2021/22 the Scottish Government offered a £90 million incentive to local authorities to freeze council tax rates to prevent household bills rising, this was equivalent to a 3% increase, all 32 local authorities accepted this incentive.

Council Tax in England

In local authorities in England, including social care and parish precepts, the average band D rate has increased by £81 (4.4%) over the period 2020/21 to 2021/22. With the rate increasing from £1,818 in 2020/21 to £1,898 in 2021/22, the average band D rate is £590 higher than the Scottish average and £622 higher than West Lothian. It should also be noted that in 2020/21 the average increase applied by English local authorities was 3.9%.

Average Wage Increases

The average full-time weekly wage in Scotland increased by 5.1% between 2020 and 2021, resulting in individuals having an average weekly increase of £30.20, increasing from £592.20 per week to £622.40 per week. When this increase is compared with the freeze in council tax in 2021/22, it can be demonstrated that the freeze in council tax accounts for 0% of the average weekly salary increases.

D.2.3 Transforming Your Council Consultation and 2020 Feedback

The transforming your council consultation was completed in November 2017 and received 7,026 responses, with over 45,000 comments from all respondents. The consultation was prior to the Scottish Government allowing additional council tax flexibility. However the consultation responses supported a council tax increase of 3% per annum over each of the five years, with a small majority agreeing with the potential of increasing council tax above 3%.

Following the increase in council tax of 4.84% in 2020/21, two formal complaints were received by the council about the increase. No complaints were received in 2021/22 about the level of council tax.

D.3 POTENTIAL COUNCIL TAX SCENARIOS FOR THE PERIOD 2022/23

D.3.1 Budget Model Assumptions

The budget model for the period 2022/23 is currently based on the following assumptions regarding council tax:

- 900 new houses will be built in 2022/23.
- 3% council tax increase in 2022/23.
- Council Tax Base 2021 (properties as at the end of August 2021) is used for the base number of band D properties. It is a financial requirement to use the most recent council tax base return for the basis of setting council tax.

Therefore it should be noted that any option to increase council tax by less than 3% would have an adverse impact on the recurring budget position.

D.3.2 Potential Council Tax Scenarios

The scenarios outlined below show the impact of percentage changes ranging from 2% in increments of 0.5% up to 5% increase, including the budget assumption of 3.0%, on both the annual income raised for the council but also on the monthly and weekly council tax band D rates.

The table below summarises the impact on the value of council tax income in one year (2022/23) of changes to the rate of council tax, a more detailed table is provided in Appendix 1:

Table 1: Impact of different increases in Council Tax Income in 2022/23 Compared to Budget Assumptions

	New Houses CT Income	Increase CT Income from Percentage Increase	Total Additional CT Income	Current Budget Assumption (3% increase)	Movement in CT Income Compared to Budget Assumption
%	£'000	£'000	£'000	£'000	£'000
2.0%	1,369	1,794	3,163	4,061	(897)
2.5%	1,369	2,243	3,612	4,061	(449)
3.0%	1,369	2,691	4,061	4,061	0
3.5%	1,369	3,140	4,509	4,061	449
4.0%	1,369	3,589	4,958	4,061	897
4.5%	1,369	4,037	5,406	4,061	1,346
5.0%	1,369	4,486	5,855	4,061	1,794

The following table provides an example of the potential band D rates in 2022/23 for each scenario and the impact this would have on monthly and weekly payments.

Table 2: Example of Potential Band D Rates for 2022/23

Percentage Increase %	Annual Band D Council Tax £	Monthly Band D Council Tax £	Weekly Band D Council Tax £	Weekly Movement Compared to Budget Assumption 3% £
2.00%	1,301.95	108.50	25.04	(0.24)
2.50%	1,308.33	109.03	25.16	(0.12)
3.00%	1,314.71	109.56	25.28	0.00
3.50%	1,321.09	110.09	25.41	0.13
4.00%	1,327.48	110.62	25.53	0.25
4.50%	1,333.86	111.15	25.65	0.37
5.00%	1,340.24	111.69	25.77	0.49

D.4 MITIGATING ACTIONS

Although council tax is applied to all houses, not all households are eligible to pay council tax. There are exemptions and discounts in place to reduce the tax burden for the most vulnerable in society as well as protecting low income households. The table on the following page shows the number of properties in receipt of a form of exemption, discount and Council Tax Reduction Support as at 15 September 2021.

The table helps to provide information on the number of households who are not eligible to fully pay council tax and demonstrates the following key considerations:

- 75% of properties in West Lothian are in bands A to D.
- 48% of properties in bands A to D are in receipt of a form of discount or exemption.
- 16% of properties in bands A to D are in receipt of CTRS.
- Disabled Person Reduction – council tax charged at the band immediately below the band the property is in. For band A properties this equates to a 1/9th reduction.

Table 3: Properties in Receipt of an exemption, Discount & CTRS

	A	B	C	D	E	F	G	H	Total
Properties per Band	17,711	25,063	10,404	8,936	10,272	6,784	2,953	204	82,327
% of Properties	22%	30%	13%	11%	12%	8%	4%	0%	100%
Exempt/ CTRS									
Exempt Properties	789	685	228	110	87	43	10	14	1,966
Disabled Person Reduction	50	173	90	82	115	84	44	2	640
50% discount (second homes)	12	15	14	19	14	3	4	1	82
50% discount (empty properties)	152	149	78	41	41	13	9	1	484
50% discount (disregarded adults)	9	13	4	5	4	1	1	0	37
Properties with 25% discount	10,195	10,275	4,249	2,567	1,922	814	269	14	30,305
Total properties in receipt of exemption/ discount	11,207	11,310	4,663	2,824	2,183	958	337	32	33,514
CTRS	4,445	4,061	1,195	498	270	86	28	0	10,582

Council Tax Reduction Scheme

The CTRS is in place to help those on a low income pay all or part of their council tax. Single person households with net income of up to £16,750, and all other households with net income of up to £25,000, with less than £16,000 in savings are eligible to apply for assistance through CTRS. Any increase in council tax will be fully offset by an increase in CTRS, as long as the claimant's circumstances remain the same.

Universal Credit full service was introduced in West Lothian on 16 May 2018. Based on other Scottish local authority experiences, where there was a significant drop in the CTRS caseload as a result of Universal Credit full service introduction, it was recognised that there was a risk of a reduction in applications and resulting awards. Due to there being a correlation between claimants no longer being able to claim Housing Benefit and CTRS jointly. To prevent a similar trend within West Lothian, the benefit team worked proactively to maximise CTRS take up. Key developments included a targeted take up campaign driven by utilising data held within council systems to identify potential CTRS claimants, telephone application processes and the utilisation of Universal Credit

data sharing information as a claim for CTRS. The CTRS caseload at November 2021 is 14,215.

To ensure that any increases in council tax do not negatively impact on low income households, CTRS continues to be actively promoted to encourage uptake. This is done in liaison with the council's Corporate Communications Team to promote CTRS via social media, the council's Anti-Poverty Service, in liaison with colleagues in Housing and via the council website.

Low-income households in West Lothian are able to access the Anti-Poverty Service for support. The focus of the Anti-Poverty Service is to support those experiencing poverty, or requiring financial assistance or to provide support by sharing resources and identifying more effective methods of delivering services that address all of our customers' needs. The service is closely linked to the West Lothian Anti-Poverty Strategy. Activities within the service remain targeted to meet the needs of the most vulnerable and disadvantaged in our communities, those with an insufficient income to live a socially acceptable lifestyle, those most at risk of financial disadvantage.

D.5 2022/23 SCOTTISH BUDGET ANNOUNCEMENT

Public Finance Minister Kate Forbes outlined the Scottish Budget for 2022/23 on 9 December 2021. The letter from the Finance Secretary on 9 December 2021 announced councils will have full flexibility to set the Council Tax rate that is appropriate for their local authority area. The current budget model assumption is for a 3% increase in council tax in 2022/23, which would generate £4.061 million additional income in 2022/23.

D.6 KEY CONSIDERATIONS

Key considerations when looking at the potential scenarios for the level of future council tax increases are set out below.

D.6.1 Requirement to Balance the Budget

The council have made £141.7 million of savings over the period 2007/08 to 2021/22 and it is becoming increasingly challenging to make savings without impacting on the level of service provided to the public. An annual increase of 3% for 2022/23 is currently part of the budget model for this year.

D.6.2 Protecting the Most Vulnerable

CTRS is in place to help those on a low income pay all or part of their council tax, CTRS is actively promoted to ensure that increases in council tax do not negatively impact on low income households. This is undertaken in conjunction with the promotion of the available discounts and exemptions to ensure there is uptake from those who are entitled to additional support and reductions in liability. It should be noted that any increase in council tax will be fully offset by an increase in CTRS, as long as the claimant's circumstances remain the same. Officers will continue to prioritise how best to promote CTRS and other available support.

D.6.3 Local Government Finance Settlement

The General fund revenue grant (including Health and Social Care) accounted for 80% of funding to the council in 2021/22, with council tax providing only 20% of the total funding available. Any changes to the local government finance settlement have a significant impact on the funding available to the council and, without utilising the flexibility in raising council tax, there is limited ability to offset potential reductions to funding.

The overall revenue provided by the Scottish Government to local government in 2022/23 will increase in cash terms by £791 million. There is an increase of £62.6 million to the capital funding available to local government in 2022/23. Much of the increase in revenue funding is attributed to the addition of ring-fenced funding which is earmarked to implement minimum pay for staff and adult social care commissioned services, there is a commitment to children and young people (including additional teachers, music tuition, school clothing grants, increase in Pupil Equity Fund) and health and social care (carers act, free personal care, winter package and social care pay). There is no compensation for employer's national insurance contribution increase and a reduction of £15 million from previously agreed multi-year funding settlement for Early Learning and Childcare (ELC)

expansion revenue funding.

COSLA presented the overall position in their budget reality document issued on 9 December 2021. In summary, the position is a reduction in revenue funding and flat cash for capital funding for local government. COSLA have expressed their concerns at the local government finance settlement in a letter to the First Minister and Cabinet Secretary for Finance and the Economy on 24 December 2021.

D.6.4 2021/22 Forecast

For 2021/22 Council Tax income is forecast to over recover by £0.628 million at 30 November 2021, the majority of this (£0.450 million) comes from recovery of prior years' debt that we have already provided for. The budget assumes that 800 new houses will be built in 2021/22, and collection rates remain at 97.75%.

There has been a reduction in CTRS cases in 2021/22 which has meant a significant decrease in CTRS costs compared to 2020/21, as caseloads return to pre-covid levels. CTRS is forecast to underspend by £27,000 at 30 November 2021.

The success of directing those in financial hardship to CTRS scheme has meant that in year collection rates have increased to levels higher than those in 2019/20. The exemptions and discounts in place to reduce the tax burden for the most vulnerable as well as protecting low income households will also help with the collection rates.

E. CONCLUSION

This report sets out for the Panel currently agreed budget assumptions for council tax for the period 2022/23 along with a range of scenarios for council tax, and the financial implications associated with these. The report also includes consideration of the West Lothian council tax charge in comparison to other local authorities.

The report considers the impact of the potential increases to council tax payers and mitigation available to reduce the impact on those on lowest incomes in West Lothian communities.

F. BACKGROUND REFERENCES

Revenue Budget 2021/22 to 2022/23 – Report by Head of Finance and Property Services to West Lothian Council on 25 February 2021

Appendices/Attachments:

Appendix 1 – Council Tax Tables

Appendix 2 – 2022/23 Council Tax Increases

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4 February 2022

APPENDIX 1 – COUNCIL TAX TABLES**Table 1 – 2021/22 Scottish Council Tax Band D Rates**

Rank (1 = Lowest 32 = Highest)	Local Authority	2021/22 Band D Rate £
1	Eilean Siar	£1,193.50
2	South Lanarkshire	£1,203.09
3	Shetland Islands	£1,206.33
4	Angus	£1,206.54
5	Orkney Islands	£1,208.48
6	North Lanarkshire	£1,221.24
7	Dumfries & Galloway	£1,222.63
8	Falkirk	£1,225.58
9	Scottish Borders	£1,253.91
10	West Lothian	£1,276.42
11	Fife	£1,280.80
12	East Renfrewshire	£1,289.96
13	West Dunbartonshire	£1,293.54
14	Aberdeenshire	£1,300.81
15	East Lothian	£1,302.61
16	Clackmannanshire	£1,304.63
17	East Dunbartonshire	£1,308.98
18	Perth & Kinross	£1,318.10
19	Moray	£1,322.87
20	Inverclyde	£1,331.84
21	Highland	£1,332.34
22	Edinburgh, City of	£1,388.58
23	North Ayrshire	£1,342.69
24	Stirling	£1,344.29
25	South Ayrshire	£1,344.96
26	Argyll & Bute	£1,367.73
27	Renfrewshire	£1,373.73
28	East Ayrshire	£1,375.35
29	Aberdeen City	£1,377.30
30	Dundee City	£1,379.00
31	Glasgow City	£1,386.54
32	Midlothian	£1,409.00

Table 2 – 2022/23 Council Tax Increases

	Band D Council Tax	No of Band D Properties	CT Collection Rate	Total CT Income	Officer Budget Income (3% increase)	(Decrease) / Increase in CT Income
%	£			£'000	£'000	£'000
2.00%	1,301.95	71,904	97.75%	91,509	92,406	(897)
2.50%	1,308.33	71,904	97.75%	91,957	92,406	(449)
3.00%	1,314.71	71,904	97.75%	92,406	92,406	0
3.50%	1,321.09	71,904	97.75%	92,854	92,406	449
4.00%	1,327.48	71,904	97.75%	93,303	92,406	897
4.50%	1,333.86	71,904	97.75%	93,752	92,406	1,346
5.00%	1,340.24	71,904	97.75%	94,200	92,406	1,794

