

DATA LABEL: PUBLIC



CORPORATE POLICY AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY PANEL

COUNCIL TAX SCENARIOS

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To provide the Panel with an appraisal of potential future council tax increases to inform discussions on the approach to achieving a balanced revenue budget for 2023/24, which is the first year of the revenue strategy for the period 2023/24 to 2027/28, and to consider council tax scenarios for future years beyond 2023/24 to contribute to a sustainable budget strategy for these years.

B. RECOMMENDATION

It is recommended that Panel:

1. Notes that the budget model has been updated to assume a 4.5% increase in council tax each year from 2023/24 to 2027/28 as reported to Council Executive on 17 January 2023;
2. Notes that an annual 4.5% increase would raise £23.6 million over five years, constituting a key element in balancing the council's budget;
3. Notes that in 2023/24, a 4.5% increase for a Band D property would result in an additional cost of £4.93 per month or £1.14 per week;
4. Notes the current rate of collection and that officers will continue to monitor collection rates monthly and benchmarking information annually;
5. Notes the significant mitigations in place to assist low income households in relation to council tax;
6. Notes the responses received in the WL2028 Your Council, Your Say Phase 2 consultation regarding council tax.

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. Based on current budget model assumptions, the council is facing an estimated budget gap of £35.8 million over the three year period 2023/24 to 2025/26 and £47.6 million over the five year period 2023/24 to 2027/28.
VII	Consideration at PDSP	The Corporate Policy and Resources PDSP receives quarterly updates on the financial outlook facing the council.
VIII	Other consultations	The WL2028 Your Council, Your Say Phase 2 consultation included questions relating to council tax. The results of the Phase 2 consultation were reported to Council Executive on 20 December 2022, with Special PDSPs scheduled in January 2023 to allow elected members to consider the responses received.

D. TERMS OF REPORT

D.1 BACKGROUND

Since 2007/08 the council has had to deliver considerable savings to balance the budget whilst funding has been constrained. It is within this context of delivering over £150 million of savings from 2007/08 to 2022/23 that the council looks ahead to another financially challenging five year period.

It was also agreed in June 2022 that the council should undertake a three stage process of public consultation, to obtain feedback from stakeholders on council priorities, potential saving options and council tax levels. Phase 1 of the consultation was completed in July 2022 and was reported to Council Executive on 4 October with Phase 2 closing in November 2022. An overall summary of responses was considered by Council Executive on 20 December 2022.

In October 2021, the then Partnership and Resources PDSP and Council Executive considered an initial update on the council's revenue financial plan 2023/24 to 2027/28. This included an initial estimate of budget scenarios and budget gaps and the proposed process to ensure the council continues to have a balanced budget. Council Executive agreed that officers should continue to implement the process to develop a new five year financial plan.

Council in February 2022 and Council Executive in June 2022 considered updated budget scenarios following the publication of the 2022/23 local government finance settlement and 2022 Scottish Spending Review. On 6 December 2022, following the UK Chancellor's Autumn Budget, an updated budget gap of £57.7 million was considered by Council Executive. Given the increase in the budget gap, and the existence of risk areas which could result in additional costs and a further increased budget gap, it was agreed that officers should undertake a number of actions in relation to the council's ongoing financial sustainability including further considering council tax options.

In the local government finance settlement (LGFS), published in December 2022, the Deputy First Minister confirmed that the Scottish Government will not seek to agree any freeze or cap in locally determined increases to council tax, meaning each council will have full flexibility to set a council tax rate that is appropriate to their local authority area.

Following the publication of the LGFS a revised budget gap of £47.6 million was reported to Council Executive on 17 January 2023, including an assumed annual increase in council tax of 4.5% following completion of the officer's review of council tax assumptions required to balance the budget as agreed by Council Executive in December 2022. Reflecting the agreed financial planning principles, detailed budget saving options will be reported to individual PDSPs on 26, 30 and 31 January 2023, with the budget setting meeting planned for 21 February 2023.

D.2 COUNCIL TAX KEY CONSIDERATIONS

When reviewing options for council tax, especially within the context of an extremely constrained financial position, it is important that consideration is given to the following key elements:

- **Financial sustainability and balancing the budget**

By law, the council must agree a balanced revenue budget. With increasing costs, consideration must be given to options to address budget pressures, including income generation and reducing costs through budget savings. The Accounts Commission has emphasised in its recent publications that councils are facing the most difficult budget setting context in recent years and that councils need to make difficult choices to ensure budgets are balanced on a recurring basis, either through increased income or budget savings. Without this action, the Accounts Commission are concerned about the longer term financial sustainability of councils. Based on current budget model assumptions, a 4.5% annual increase in council tax would provide additional income of £23.6 million over the five year period.

The council has made £150.7 million of savings over the period 2007/08 to 2022/23 and it is becoming impossible to make all the required savings without impacting on the level of service provided to the public. An annual council tax increase assumption of 4.5% for 2023/24 is currently part of the budget model. The revised budget gap for 2023/24 to 2027/28 estimated to be £47.6 million, with a gap of £35.8 million in the first three years. The ongoing cost of living crisis and unprecedented level of inflation for food, materials and energy continue to provide considerable uncertainty.

- **Collectability and affordability**

Affordability of council tax increases is a key consideration to ensure that budgeted collection rates are achievable. Budgets represent an estimate of income and expenditure and assumptions around council tax income have to be a realistic assessment of what can be collected. All taxes, including council tax, have to be collectable and should not have an adverse impact on ability of taxpayers to pay their tax liabilities.

- **Mitigation of impact for households on low incomes**

The current cost of living crisis continues to demonstrate the need to protect those on the lowest incomes. The council has a robust approach to support vulnerable and low income households with both the Anti-Poverty Service and the Revenues Unit working to ensure that those who require additional support in relation to council tax are able to access it. Council tax reduction scheme (CTRS) is in place to help those on a low income pay all or part of their council tax. It is promoted along with 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 for those people in receipt of 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. Officers will continue to prioritise how best to promote CTRS and other available support.

D.3 COUNCIL TAX ASSUMPTIONS FOR 2023/24 TO 2027/28

Following the report to Council Executive on 6 December 2022, which highlighted the adverse movements in the projected budget position since the commencement of Phase 2 of the public consultation and agreed actions required to ensure the continued financial sustainability of the council, the council has received the LGFS for 2023/24. A report on the outcome of the LGFS and the council's updated financial planning position for the five years 2023/24 to 2027/28 was presented to Council Executive on 17 January 2023. The revised budget gap for 2023/24 to 2027/28 is estimated to be £47.6 million.

The forecast budget gap reflects the outcome of the 2023/24 finance settlement and latest budget model assumptions. Officers continually keep the assumptions in the budget model under review to ensure, as far as possible, they reflect current circumstances and information. The nature of long-term forecasting means it is challenging to identify expenditure pressures and income for future years. There are always risks and uncertainties associated with long term financial planning and assumptions. The ongoing cost of living crisis and high level of inflation continue to provide considerable uncertainty. The National Care Service (Scotland) Bill could result in changes to service delivery models which will have a major impact on local government services, funding and financial and planning assumptions. These add significant risks and uncertainties associated with the long-term financial assumptions underlying the budget model.

The budget model for the period, as reported to Council Executive on 17 January 2023, currently includes the following assumptions regarding council tax:

- 900 new houses will be built annually (provides additional income of £5.7 million over the five years).
- A 4.5% annual increase in council tax (provides further additional income of £23.6 million over the five years).

For the budget model, the properties as at the start of September 2022 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.

Table 1: Council Tax Assumptions 2023/24 to 2027/28

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
COUNCIL TAX INCOME						
Council Tax Yield - 4.5%	4,214	4,451	4,702	4,965	5,243	23,574
Additional Properties (900 p/a)	1,242	1,058	1,105	1,155	1,207	5,766
COUNCIL TAX INCOME - TOTAL	5,456	5,509	5,807	6,120	6,449	29,341

With the above assumptions delivering over £29.3 million additional income for the council, any option to increase council tax by less than 4.5% would have an adverse impact on the already hugely challenging recurring budget position.

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 4.5%, on both the annual income raised for the council but also on the monthly and weekly council tax band D rates. The table summarises the impact on the value of council tax income in one year (2023/24) of changes to the rate of council tax, a more detailed table is provided in Appendix 1.

Table 2: Impact of Different Increases in Council Tax Income in 2023/24 Compared to Budget Assumptions

	New Houses CT Income	Increase CT Income from Percentage Increase	Total Additional CT Income	Current Budget Assumption (4.5% increase)	Movement in CT Income Compared to Budget Assumption
%	£'000	£'000	£'000	£'000	£'000
2.00%	1,242	1,873	3,115	5,456	(2,341)
2.50%	1,242	2,341	3,584	5,456	(1,872)
3.00%	1,242	2,809	4,052	5,456	(1,404)
3.50%	1,242	3,277	4,520	5,456	(936)
4.00%	1,242	3,746	4,988	5,456	(468)
4.50%	1,242	4,214	5,456	5,456	0
5.00%	1,242	4,683	5,925	5,456	468

The following table provides an example of the potential band D rates in 2023/24 for each scenario and the impact this would have on monthly and weekly payments.

Table 3: Example of Potential Band D Rates for 2023/24

Percentage Increase %	Annual Band D Council Tax £	Monthly Band D Council Tax £	Weekly Band D Council Tax £	Weekly Movement Compared to Budget Assumption 4.5% £
2.00%	1,341.00	111.75	25.79	(0.63)
2.50%	1,347.58	112.30	25.92	(0.51)
3.00%	1,354.15	112.85	26.04	(0.38)
3.50%	1,360.72	113.39	26.17	(0.25)
4.00%	1,367.30	113.94	26.29	(0.13)
4.50%	1,373.87	114.49	26.42	0.00
5.00%	1,380.45	115.04	26.55	0.13

Comparing the 2022/23 Band D rates to the budget model assumption of a 4.5% increase in 2023/24 would result in an additional cost for Band D taxpayers of £4.93 per month or £1.14 per week.

D.4 COUNCIL TAX COLLECTION RATES AND BENCHMARKING INFORMATION

To date the council's collection rates for council tax have been consistently high, noting like all councils a dip in 2020/21 as a result of the Covid-19 pandemic. Collection for 2022/23 at the end of month 9 is 82.4% and is 1.39% higher than at the same point in 2021/22. Current collection for years 2019/20 to 2020/21 is summarised as follows, noting that outstanding debt for these years continues to be followed up:

Table 4: Council Tax Collection Rates

Year	Full Year Collection for Previous Years %
2019/20	96.9%
2020/21	96.4%
2021/22	96.9%

At month 6 in the current financial year council tax income is forecast to over recover by £1.465 million, of this £1.309 million of this comes from recovery of prior years' debt that has already been provided for. 2022/23 collection rates have increased compared to 2021/22.

CTRS is currently forecast to underspend by £19,000. Legislation was introduced in April 2022 to better align CTRS received by Universal Credit (UC) customers with that of legacy benefits which will mean that, on average, CTRS awards for UC claimants will increase. The impact of this will be monitored throughout the year. There has been a decrease of 260 CTRS cases as at end December 2022 (13,955 cases) compared to the end of December 2021 (14,215 cases). The table below shows that the CTRS caseload has remained fairly static throughout 2022/23.

Table 5: Month on Month CTRS Caseload Movement

	Apr 2022	May 2022	June 2022	July 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022
2022/23									
Caseload	13,948	13,913	13,873	13,897	13,953	13,943	13,955	13,966	13,955
Monthly movement		(35)	(40)	24	56	(10)	12	11	(11)

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 is £1,347 compared with the West Lothian 2022/23 band D rate of £1,314.71. 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 2022/23 the average band D council tax rate for Scotland has increased from £1,173 to £1,347, an increase of £174 (14.8%) or 67p per week for five years. West Lothian's band D rate has increased by £186.71 (16.6%) or 72p per week.

Council Tax in England

In local authorities in England, including social care and parish precepts, the average band D rate has increased by £68 (3.6%) over the period 2021/22 to 2022/23. With the rate increasing from £1,898 in 2021/22 to £1,966 in 2022/23, the average band D rate is £619 higher than the Scottish average and £651 higher than West Lothian. It should also be noted that in 2021/22 the average increase applied by English local authorities was 4.4%.

Average Wage Increases

The annual survey of hours and earnings for 2022 was published in October 2022. The average full-time weekly wage in Scotland increased by 3.2% between 2021 and 2022, resulting in individuals having an average weekly increase of £19.80, increasing from £620.70 per week to £640.50 per week.

D.5 COUNCIL TAX MITIGATIONS

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 below shows the number of properties in receipt of a form of exemption, discount and Council Tax Reduction Support (CTRS) as at 14 September 2022. this provides 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.
- 65% 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 6: Properties in Receipt of an exemption, Discount & CTRS

	A	B	C	D	E	F	G	H	Total
Properties per Band	17,711	25,115	10,541	9,112	10,434	7,065	3,101	206	83,285
% of Properties	21%	30%	13%	11%	13%	8%	4%	0%	100%
Exempt/ CTRS									
Exempt Properties	865	786	278	132	89	53	18	12	2,233
Disabled Person Reduction	56	178	87	89	128	90	39	3	670
50% discount (second homes)	12	16	13	16	14	3	4	1	79
50% discount (empty properties)	153	160	69	49	35	16	10	1	493
50% discount (disregarded adults)	7	16	7	5	6	1	1	0	43
Properties with 25% discount	10,118	10,304	4,347	2,703	1,996	847	285	16	30,616
Total properties with exemption/discount	11,211	11,460	4,801	2,994	2,268	1,010	357	33	34,134
CTRS	4,348	3,961	1,183	504	262	88	22	0	10,368

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.

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.6 WL2028 YOUR COUNCIL, YOUR SAY PHASE 2 CONSULTATION RESPONSES

On 24 June 2022, the Council Executive approved the three stage West Lothian (WL) 2028 Your Council Your Say public consultation approach. Phase 1 of the consultation commenced on 24 June 2022 and closed on 31 July 2022. A report providing an update on the feedback received from respondents to Phase 1 of the WL2028 Your Council Your Say public consultation, and an update on the key dates and activities associated with Phase 2 of the public consultation was reported to Council Executive on 4 October 2022.

The second phase of the consultation opened for a six-week period from 7 October to 20 November 2022. The results of the Phase 2 consultation were reported to Council Executive on 20 December 2022, with Special PDSPs scheduled at the end of January 2023 to allow elected members to consider the responses received at the Phase 2 stage.

The Phase 2 consultation document included two questions in relation to council tax:

- The council's future budget estimates assume increases in council tax of at least 3.5% each year. If council tax was not increased by 3.5% per annum over 2023/24 to 2027/28 this would increase the budget gap by £17.9 million. If you don't support the annual increase how would you find the additional income to bridge the increased budget gap?
- Would you support an increase of more than 3.5% if all funding raised above this was spent on key identified priorities, such as schools and social care?

Full detail on the responses in relation to council tax is provided in the Revenue Budget Strategy report to this meeting, however in summary the key points of feedback received are as follows:

- 589 of respondents agreed with the council tax proposal, with 264 disagreeing.
- Some respondents support an increase to council tax above 3.5% across the board in order to protect the delivery of local services.
- Some respondents support a greater increase to council tax for those in higher bands, with those in lower bands receiving a more modest increase (note the council does not have the legal powers to vary increases for different council tax bands).
- Some respondents do not support any increase to council tax due to the proposed reduction in service delivery and/or the impact of the cost of living crisis on households.
- Some respondents feel that an increase in council tax above 3.5% will not be affordable for some households.
- Some respondents support an increase to council tax above 3.5% if that funding is directed to Education and Social Care.
- Some respondents feel that the council tax and bandings are no longer fit for purpose and should be replaced (note this is the responsibility of the Scottish Government).

Following the increase in council tax of 4.84% in 2020/21, two formal complaints were received by the council about the increase. No formal complaints were received in 2021/22 about the level of council tax. There were no formal complaints in 2022/23 following the increase in council tax of 3%.

E. CONCLUSION

This report sets out for the Panel an appraisal of potential future council tax increases to inform discussions on the approach to achieving a balanced revenue budget for 2023/24, which is the first year of the revenue strategy for the period 2023/24 to 2027/28, and considers council tax scenarios for future years to contribute to a sustainable budget strategy for these years. 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. Given the extent of the financial challenge facing the council over the next five years, council tax increases will form an essential element of securing a financially stable council able to deliver services to West Lothian communities.

F. BACKGROUND REFERENCES

Future Budget Strategy 2023/24 to 2027/28 – Financial Context and Proposed Approach – Report by Head of Finance and Property Services to Council Executive on 26 October 2021

Scottish Spending Review 2022 and Future Budget Strategy 2023/24 to 2027/28 Update – Report by Head of Finance and Property Services to Council Executive on 21 June 2022

Autumn Budget and Scottish Budget Announcements 2022 – Report by Head of Finance and Property Services to Council Executive on 6 December 2022

WL2028 Your Council Your Say - Public Consultation - Report by Depute Chief Executive on 20 December 2022

Scottish Budget, Local Government Finance Settlement 2023/24 and Revenue Budget Update – Report by Head of Finance and Property Services to Council Executive on 17 January 2023

Appendices/Attachments:

Appendix 1 – Council Tax Tables & 2023/24 Council Tax Increases

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Donald Forrest
Head of Finance and Property Services
26 January 2023

APPENDIX 1 – COUNCIL TAX TABLES**Table 1 – 2022/23 Scottish Council Tax Band D Rates**

Rank (1 = Lowest 32 = Highest)	Local Authority	2022/23 Band D Rate £
1	Shetland Islands	£1,206.33
2	Eileanan Siar	£1,229.29
3	South Lanarkshire	£1,233.00
4	Angus	£1,242.14
5	Orkney Islands	£1,244.73
6	North Lanarkshire	£1,257.89
7	Dumfries & Galloway	£1,259.30
8	Falkirk	£1,274.60
9	Scottish Borders	£1,291.53
10	West Lothian	£1,314.71
11	Fife	£1,319.22
12	West Dunbartonshire	£1,332.36
13	East Renfrewshire	£1,335.11
14	Aberdeenshire	£1,339.83
15	East Lothian	£1,341.69
16	Clackmannanshire	£1,343.77
17	East Dunbartonshire	£1,348.25
18	Perth & Kinross	£1,351.00
19	Renfrewshire	£1,354.88
20	Inverclyde	£1,357.81
21	Moray	£1,362.56
22	Highland	£1,372.29
23	City of Edinburgh	£1,378.75
24	North Ayrshire	£1,382.97
25	South Ayrshire	£1,383.96
26	Stirling	£1,384.58
27	Argyll & Bute	£1,408.76
28	East Ayrshire	£1,416.61
29	Aberdeen City	£1,418.62
30	Dundee City	£1,419.03
31	Glasgow City	£1,428.00
32	Midlothian	£1,442.60

Table 2 – 2023/24 Council Tax Increases

	Band D Council Tax	No of Band D Properties	CT Collection Rate	Total CT Income	Officer Budget Income (4.5% increase)	(Decrease) / Increase in CT Income
%	£			£'000	£'000	£'000
2.00%	1,341.00	72,871	97.75%	95,521	97,862	(2,341)
2.50%	1,347.58	72,871	97.75%	95,989	97,862	(1,873)
3.00%	1,354.15	72,871	97.75%	96,457	97,862	(1,405)
3.50%	1,360.72	72,871	97.75%	96,925	97,862	(937)
4.00%	1,367.30	72,871	97.75%	97,394	97,862	(468)
4.50%	1,373.87	72,871	97.75%	97,862	97,862	0
5.00%	1,380.45	72,871	97.75%	98,331	97,862	468