

---

## **Indicative Council Tax 2017/18**

**Report by the Chief Financial Officer**

---

**Scottish Borders Council**

**22 December 2016**

---

### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides information on the estimated impact of a 3% increase in Council tax in 2017/18 as initially indicated as part of the 5 year revenue plan published in February 2016.**
- 1.2 The paper provides background information to the council tax as well as details of the anticipated changes which the Scottish Government are proposing to the council tax multiplier i.e. the relationship between band D, the average council tax, and bands E – H the most expensive bands. The effect of a 3% increase from April 2017 in the Council tax bands A-H is shown alongside the effect of the government sponsored changes to the upper bands E-H.

### **2 RECOMMENDATIONS**

- 2.1 It is recommended that members resolve to increase all Council tax bands A-H by 3% from 1 April 2017 noting that this increase will be in addition to legislative changes to the 2017 Council tax multiplier affecting bands E - H.**

### 3 BACKGROUND

3.1 Council tax funds around 20% of local government net revenue expenditure in the Scottish Borders, the remainder coming from Government in the form of direct revenue support grant. The council tax in the Scottish Borders is the fourth lowest in mainland Scotland and seventh lowest overall once the island councils are included. Council tax is a tax on domestic property. All domestic properties are banded based on their valuation at the 1991 levels, any new properties are also assessed on estimated values from 1991 and allocated to one of the 8 property bandings (A-H). The property bandings and the numbers of properties in each band for the Scottish Borders are shown in table 1 below.

**Table 1**

<b>Band</b>	<b>Property Value 1991</b>	<b>No of Properties at Jan 2015</b>	<b>Existing Multiplier</b>	<b>Proportion of Band D</b>	<b>Current Council tax £</b>
A	Up to £27k	16,543	0.67	6/9	722.67
B	£27k - £35k	12,728	0.78	7/9	843.11
C	£35k - £45k	6,873	0.89	8/9	963.56
D	£45k -£58K	5,873	1.00	9/9	1,084.00
E	£58k - £80k	6,314	1.22	11/9	1,324.89
F	£80k – £106k	4,620	1.44	13/9	1,565.78
G	£106k - £212k	4,262	1.67	15/9	1,806.67
H	Above £212k	451	2.00	18/9	2,168.00

Band "D" is the average rate of council tax. The band D tax is £1,084 per annum in the Scottish Borders. All other bands vary as a proportion of the

band D equivalent, band H for example currently being 2 times the band D rate. The relationship between bandings does not vary year to year unless the “multiplier” i.e. the relationship between band “D” (the average) and the other bands is varied by legislation.

- 3.2 The majority of properties in the Scottish Borders fall into bands A – C which contain 36,144 (62.7%) of the total 57,664 domestic properties per the valuation roll at January 2015. Council tax bands have been frozen for the last 9 years in the Scottish Borders with £70m nationally added to the Local Government finance settlement each year to fund this council tax freeze. This is paid to the Council as a grant as part of the local government settlement and annually SBC has received around £1.5m of funding to freeze the council tax at 2007/08 levels.
- 3.3 In November 2016 the Scottish Government announced that the Council Tax freeze would be lifted from April 2017 to allow Councils to increase Council Tax up to a maximum of 3%. This was part of a wider package of measures to reform local taxation following the report of the [Commission on Local Tax Reform](#).
- 3.4 Council tax bands are also used to set domestic water and sewerage charges which the council bills and collects on behalf of Scottish Water. **All figures in this paper refer only to the council tax element of the charge and exclude any reference to charges levied by SBC on behalf of Scottish Water.**

## 4 CHANGES TO COUNCIL TAX

### 4.1 INDICATIVE COUNCIL TAX 2017/18

Council in setting the indicative budget for 2017/18 in February 2016 projected that council tax would rise by three percent from 1 April 2017 providing an additional £1.5m net to fund council services. A 3% increase would raise around an additional £1.8m gross for the council before reliefs, exemptions and bad debts.

### 4.2 SCOTTISH GOVERNMENT PROPOSED CHANGES

The Scottish government has also now passed legislation to amend the existing council tax bandings to raise an additional £100m for education which will be given directly to Head teachers. Government will raise this funding by varying the relationship between existing the council tax bands. The effect of this change will be to increase the rate of council tax paid by the higher bands E to H. An amount equivalent to the tax raised will, it is understood, be removed directly from the local government settlement and be retained by Scottish Government for distribution to schools via an “Attainment Fund.” The Scottish government’s proposals have proved controversial and COSLA has refused to engage in any dialogue with Scottish Government concerning the issue, arguing that the proposals break the direct link between the council tax levied in a local authority area and the tax spent that is spent locally on delivering services to communities.

#### 4.3 **IMPACT OF GOVERNMENT CHANGES TO THE COUNCIL TAX MULTIPLIER**

The effect of the government changes to the multiplier and the rate of council tax are shown in the table below. The table shows that the change to the multiplier to be implemented by Government will see bands A to D unchanged while band E - H will increase, with the top band H increasing by £487.80 per annum or £ 40.65 per month, £9.38 per week.

**Table 2 Illustration of Government Multiplier Changes Only**

Band	New Multiplier	New Council tax	Increased Rate £	Increase per month (12) £	Increase per week £	%
A	0.67	722.67	0.00	0.00	0	0
B	0.78	843.11	0.00	0.00	0	0
C	0.89	963.56	0.00	0.00	0	0
D	1.00	1,084.00	0.00	0.00	0	0
E	1.31	1,420.04	95.15	7.93	1.83	7
F	1.63	1,766.92	201.14	16.76	3.87	11
G	1.96	2,124.64	317.97	26.50	6.11	15
H	2.45	2,655.80	487.80	40.65	9.38	18

#### 4.4 **COMBINED EFFECT OF COUNCIL 3% AND GOVERNMENT MULTILPLIER CHANGES**

The combined effect of a 3% council tax increase and government changes to the multiplier are shown in table 3 below and in Appendix 1.

**Table 3 Combined Effect Education Multiplier and a 3% Council increase**

Band	Council tax per band	Council Increase (3%)	New Rate £	Council Increase per month (12)	Gov't Multiplier Increase	Gov't Multiplier Increase Per month	Total Increase £	Total Increase %
A	722.67	21.68	744.35	1.81	0.00	0.00	21.68	3
B	843.11	25.29	868.40	2.11	0.00	0.00	25.29	3
C	963.56	28.91	992.47	2.41	0.00	0.00	28.91	3
D	1,084.00	32.52	1116.52	2.71	0.00	0.00	32.52	3
E	1,420.04	42.60	1462.64	3.55	95.15	7.93	137.75	10
F	1,766.92	53.01	1819.93	4.42	201.14	16.76	254.15	16

G	2,124.64	63.74	2188.38	5.31	317.97	26.50	381.71	21
H	2,655.80	79.67	2735.47	6.64	487.80	40.65	567.47	25

Bands A – D increase by 3% with the top band H rate increasing by £567.47 or £47.29 per month - a 25% increase. This top rate of council tax is paid by 451 households in the Borders.

The income raised by these changes would be significant and in total pre exemptions and relief it is estimated they would raise an additional £5m before exemptions discounts and bad debt provision is applied. NB only the 3 % (estimated as £1.5m after discounts and exemptions) council increase would be available to help balance the 2017/18 revenue budget. All income raised by the Government's changes to the Council tax multiplier would, it is understood, be distributed out with the local government settlement by Scottish Ministers.

## 5 IMPLICATIONS

### 5.1 Financial

There are no further costs associated with the content of this paper its content relating to the council tax changes which would apply for 2017/18 onwards following a decision to increase the local council tax by 3%. Changes made to the council tax multiplier are solely at the discretion of Scottish ministers.

### 5.2 Risk and Mitigations

The normal arrangements for protecting those on low incomes through an extensive scheme of discounts and exemptions as part of the council tax reduction scheme would be unaffected.

There is a risk that levels of non-payment and difficulties with collection could escalate given the scale of changes proposed by Government on top of a 3% council increase.

The impact on household incomes for those occupying band E - H properties could be significant, a comprehensive communication programme with households will be required.

### 5.3 Equalities

A full equalities impact assessment will be undertaken and published as part of the budget preparation exercise. There are no adverse impacts due to race, disability, gender, age, sexual orientation or religion/belief arising from the contents of this report.

### 5.4 Acting Sustainably

There are no significant effects on the economy, community or environment.

### 5.5 Carbon Management

No effect on carbon emissions is anticipated.

**5.6 Rural Proofing**

It is anticipated there will be no disproportionate impact on the rural area. The changes to council tax will affect properties in Rural and urban areas equally.

**5.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes to either the Scheme of Administration or the Scheme of Delegation are required.

**6 CONSULTATION**

6.1 Corporate Management Team has been consulted regarding the contents of this report. The Chief Legal Officer and the Chief Officer Audit and Risk have also been consulted and any comments received have been incorporated into the report.

**Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

**Author(s)**

Name	Designation and Contact Number
David Robertson	Chief Financial Officer 01835 82 5012

**Background Papers:**

**Previous Minute Reference:**

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the Author. Information on other language translations as well as additional copies can also be provided.

Contact us at [sdouglas@scotborders.gov.uk](mailto:sdouglas@scotborders.gov.uk)