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**Report to: Council**

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**Date of Meeting: 15<sup>th</sup> December 2016**

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**Subject: Council Tax Regulations Scotland**

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**Report by: Head of Housing & Community Safety**

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## **1.0 Purpose**

- 1.1. To provide an update on the changes to Council Tax regulations applying from the start of financial year 2017/18.

## **2.0 Recommendations**

- 2.1. Members are asked to:

2.1.1. Agree that the Council no longer gives any discount on 2<sup>nd</sup> homes from April 2017.

2.1.2. Note the implications of the proposed changes to Council Tax regulations from April 2017.

2.1.3. Note the communication to households regarding the introduction of the changes to Council Tax Bands E-H.

2.1.4. Note the process and timing for issuing Council Tax bills and Rent increase notifications for 2017/18.

## **3.0 Summary**

- 3.1. The Scottish Government has published a Statutory Instrument to change the proportion of Council Tax collected at certain bands. This will increase the proportion collected from higher band properties. The final details will be confirmed formally in the Local Government Finance Settlement, expected on 15 December 2016.

- 3.2. There will be four main changes that will apply for 2017/18.

3.2.1. Firstly, there are changes to the Council Tax Multiplier for certain property bands.

3.2.2. Secondly local authorities can increase the Council Tax by up to 3% without grant penalty for the duration of this Scottish Parliament.

3.2.3. The third significant change is that the Council Tax Reduction (CTR) Scheme will have targeted relief for households in properties in Bands E-H on net incomes below the Scottish median for their household type, up to a maximum of £25,000. There will also be an increase the child premium by 25%, from £66.90 to £83.63 per week.

3.2.4. Lastly the Scottish Government is also introducing legislation which will allow Councils to no longer give a discount on 2<sup>nd</sup> homes from April 2017. For Clackmannanshire the discount is currently 10% (it can be set as high by Council at 50%). In Clackmannanshire there are currently 59 2<sup>nd</sup> homes and the additional income that could be collected from the change is £6,700 at current Council Tax levels. The original ring fence for affordable housing remains.

## 4.0 Multiplier

4.1. Since its introduction in 1993, councils have been required to set a Band D Council Tax each year. The tax for all other property bands is set with reference to a multiplier of Band D. Bands A to C being set progressively lower than Band D, and Bands E to H being progressively higher than Band D.

4.2. The valuation of properties is determined by the Valuation Joint Board, and the council then applies the tax to the various bands. The proposals published by the Scottish Government have the effect of amending the multipliers for Bands E to H with effect from 1 April 2017. Multipliers for Bands A to D remain unchanged as a proportion of Band D. The following table sets out the nature of the current and proposed multipliers for each property band.

**Table 1: Multiplier Impact on Current Band<sup>1</sup>**

Band	No. properties in band	Current multiplier	Proposed multiplier	Current council tax £	Revised council tax £	£ Increase	% change
A (Disabled)	24	5/9	200/360	638	638	-	-
A	6,012	6/9	240/360	765	765	-	-
B	7,050	7/9	280/360	893	893	-	-
C	1,937	8/9	320/360	1,020	1,020	-	-
<b>D</b>	<b>2,480</b>	<b>9/9</b>	<b>360/360</b>	<b>1,148</b>	<b>1,148</b>	-	-
E	3,172	11/9	473/360	1,403	1,508	£105	7.5%
F	1,889	13/9	585/360	1,658	1,866	£208	12.6%
G	864	15/9	705/360	1,913	2,248	£335	17.5%
H	44	18/9	882/360	2,296	2,813	£517	22.5%

<sup>1</sup> Figures rounded and do not include water and sewerage charge. Property numbers as at October 2016

- 4.3. The Scottish Government has committed £100 million (out of a total expected of £109m raised before the CTR changes) of the additional revenue raised across Scotland through the multiplier to the expanded Education Attainment Fund. The allocation both in quantum and process is still being finalised and details will be included in the Local Government Settlement, expected on 15 December 2016.

## 5.0 Increase in Council Tax

- 5.1. Councils will have the ability to increase council tax across each band by a fixed percentage, up to 3%. Table 2 models the potential impact below;

Table 2

Band	No. properties in band	Current council tax £	Revised council tax £	1% Increase (£)	2% Increase (£)	3% Increase (£)
A (Disabled)	24	638	638	644	651	657
A	6,012	765	765	773	780	788
B	7,050	893	893	902	911	920
C	1,937	1,020	1,020	1,030	1,040	1,051
<b>D</b>	<b>2,480</b>	<b>1,148</b>	<b>1,148</b>	<b>1,159</b>	<b>1,171</b>	<b>1,182</b>
E	3,172	1,403	1,508	1,523	1,539	1,554
F	1,889	1,658	1,866	1,884	1,903	1,921
G	864	1,913	2,248	2,271	2,293	2,316
H	44	2,296	2,813	2,841	2,869	2,897
Total Revenue	(23,472)	£25,069,056	£26,107,490	£26,368,565	£26,629,640	£26,890,715

- 5.2. In Clackmannanshire a quarter of our properties are liable for Bands E to H, with Band E accounting for half of that proportion. The largest amount of Clackmannanshire houses are Band B with just under a third of stock in that liability band.

## 6.0 Council Tax Reduction (CTR) Scheme

- 6.1. CTR replaced Council Tax Benefit in 2013 and devolved to the Scottish Parliament. Those in Band E-H with incomes below £25,000 will be fully protected from the increase. This will increase the numbers eligible for applying for the CTR scheme and will increase the processing work of the revenues team to assess the new applications.

- 6.2. There will be additional cost caused by the child premium within the CTR scheme increasing by 25%, from £66.90 per child per week to £83.63 per child per week from 1 April 2017. This change will increase the CTR award for existing CTR recipients who are on the taper, but also may enable households just outside the CTR scheme to be eligible for an award. These changes do not apply to households in receipt of Universal Credit.
- 6.3. The Scottish Government estimate that the total increase in CTR across Scotland should not exceed £17m.
- 6.4. Based on the current claimants it is estimated that the increase to the child premium would increase CTR income foregone by £164k in Clackmannanshire.
- 6.5. There will also be an additional cost of paying the Council Tax Reduction to those property owners who are in the Bands E to H, and who currently receive CTR payments. At present the CTR value for these bands is £180k.

## **7.0 Communication to affected residents**

- 7.1. There has been significant press and media coverage at a national level regarding the changes to the multiplier and the increased costs for households. However, it is felt prudent to ensure that all households are properly informed of the proposed changes. This would also reduce any confusion of policy changes made at national level versus any variation made at a local level to increase the Council Tax.
- 7.2. Clackmannanshire Council will write a targeted letter to those in Band E-H affected by the multiplier to make them aware of the increase to their respective bill.
- 7.3. This would be supplemented with further detail in the annual Council Tax Bills for 2017/18.

## **8.0 Council Tax Annual Billing/Rent Increase Notifications 2017/18**

- 8.1. Around two thirds of all Clackmannanshire households pay their Council Tax by Direct Debit. This means that we have a deadline of when bills need to be issued in order to meet the requirements of the Direct Debit Guarantee Scheme. Moreover, the Council has a legal requirement when notifying tenants of rent increases at least 4 weeks prior to the increase being applied.
- 8.2. The revenues service is in discussion with the Royal Mail to agree when the Council would need to have finalised bills and rent notifications to meet the above deadlines. We are currently working to agree timescales that will allow us to meet our statutory obligations.

## **9.0 Resource Implications**

- 9.1. *Financial Details*

- 9.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒
- 9.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒
- 9.4. *Staffing*
- 9.5. The legislative changes will require significant changes to software, will increase the workload in preparing the annual bills and for assessing additional CTR claims.

## 10.0 Exempt Reports

- 10.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## 11.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box ☒)

- |  |                                     |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses         | <input checked="" type="checkbox"/> |
| Our communities are more cohesive and inclusive                          | <input checked="" type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/>            |
| Our communities are safer  | <input type="checkbox"/>            |
| Vulnerable people and families are supported                             | <input checked="" type="checkbox"/> |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

- (2) **Council Policies** (Please detail)

None

## 12.0 Equalities Impact

- 12.1. Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
- Yes ☐ No ☒

### 13.0 Legality

- 13.1. It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

### 14.0 Appendices

- 14.1. Please list any appendices attached to this report. If there are no appendices, please state "none".

14.2. None

### 15.0 Background Papers

- 15.1. Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered).

Yes ☒ (please list the documents below)

No ☐

Scottish Government Proposals for Council Tax Reform March 2016

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#### Approved by

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