

**SPECIAL ANGUS COUNCIL - 3 MARCH 2022****REVENUE & CAPITAL BUDGETS 2022/23 - SETTING OF THE COUNCIL TAX****REPORT BY DIRECTOR OF FINANCE****ABSTRACT**

The purpose of this report is to explain the further steps that require to be taken with regard to the setting of the Council Tax charge for Angus Council in respect of the financial year 2022/23.

**1. RECOMMENDATIONS**

It is recommended that the Council: -

- a) Approve the 2022/23 net estimated revenue expenditure of £313.424 million for Angus Council attached at Appendix 1;
- b) Agree that an allowance of 1.75% for non-collection of the Council Tax be used in the tax setting calculations;
- c) Note the Projected Uncommitted General Fund Reserve of £2.795 million as at 31 March 2022 as set out in Table 1 in section 5.2 of this report;
- d) Approve the proposed use of the Projected Uncommitted General Fund Reserve of £1.975 million as set out in section 5.2 of this report, noting that further use of reserves will be considered at the Council Tax setting meeting;
- e) Note the £3.000 million drawdown from the Uncommitted General Fund Reserve as per the General Fund Reserves Drawdown Strategy agreed in report 285/21 to Angus Council on the 9 September 2021, Budget Strategy Update and Use of COVID-19 funding as set out in section 5.2 of this report;
- f) Note the £0.500 million drawdown from the Uncommitted General Fund Reserve for contributing towards the one-off budget issues which came forward through the budget setting process, as agreed in report 285/21 to Angus Council on the 9 September 2021 and as set out in section 5.3 of this report.
- g) Approve the proposed levels for the General Fund Contingency and COVID-19 Contingency Reserve as at 31 March 2022 of £4.700 million and £1.750 million as set out in sections 5.1 and 5.3 respectively of this report;
- h) Note the position on the Council's other Reserves as set out in Appendix 2; and
- i) Determine the contributions to/from the Council's Reserves to be made for 2022/23 in light of the position outlined in the Report and in particular Appendix 2.

**2. ALIGNMENT TO THE COUNCIL PLAN**

- 2.1 This report contributes as a whole to the local outcome(s) contained within the Council Plan. The Budget including savings and investment proposals has been developed on a basis which seeks to reflect the Council's priorities and those outcomes the Council as a partner within the Community Planning Partnership is trying to deliver.

### 3. BACKGROUND

- 3.1 The background surrounding the preparation of the 2022/23 revenue budget has been reported, inter alia, within Report No 62/22. This report provided background on the development of Angus Council's revenue budget for 2022/23.
- 3.2 The Provisional Revenue and Capital Budgets 2022/23 Background Report (62/22) outlines that budget savings from the Change Programme totalling £6.801 million are anticipated.
- 3.3 Angus Council's net estimated expenditure for 2022/23 will be £313.424 million after removal of the proposed budget savings of £6.801 million, the addition of budget issues and service investments totalling £4.643 million, additional income estimated from the review of charges of £0.086 million, and other adjustments of £0.912 million as set out in Appendix 1. The deduction of £249.542 million of Revenue Funding Grants from the Scottish Government leaves a balance of £63.882 million to be funded from Council Tax charges before considering the contributions to or from the Council's Reserves.
- 3.4 The remainder of this report outlines the main financial considerations and the steps necessary to set the Council Tax charge.

### 4. COUNCIL TAX BASE AND LIMITS ON TAX INCREASES

- 4.1 After applying the recommended 1.75% allowance in 2022/23 for non-collection to the latest Council Tax Base estimate figure for Angus Council (see paragraph 5.8 below), this increases the Band D Equivalent properties from 47,103 (per Council Tax Setting Report 75/21) to 47,601, an increase of 498 and this would increase Council Tax income by £0.600 million based on the current Council Tax charge.
- 4.2 The Scottish Government grant offer for 2022/23 allows councils full flexibility to set the Council Tax rate that is appropriate for their local authority area. For information purposes each 1% increase in Council Tax would yield additional income of approximately £0.574 million based on the updated tax base of 47,601.

### 5. MAIN FINANCIAL CONSIDERATIONS

#### 5.1. Uncommitted General Fund Reserve at 31 March 2022

In setting the 2021/22 revenue budget the Council agreed to hold a sum of £4.705 million as a contingency fund within its General Fund Reserve to meet unforeseen costs and issues which may arise during the financial year. For the 2022/23 budget it is proposed to hold a contingency balance of £4.700 million. This represents 1.5% of the Council's net expenditure for 2022/23 of £313.424 million.

- 5.2 Over and above this contingency there are uncommitted funds expected to be available. The projected position on those uncommitted funds is as follows:-

**Table 1 – Projected Uncommitted General Fund Reserve at 31 March 2022**

	£m	£m
<b>Uncommitted Reserve at September 2021 (report 285/21)</b>		<b>0.000</b>
Adjustment to Corporate Contingency		0.005
Audited Accounts Adjustment		(0.038)
COVID-19 budget recast uplifts agreed per report 215/21 returned from Services (included in Corporate Monitoring report 20/22 )		0.188
Projected underspend/savings on 2021/22 budgets (after ring-fenced amounts – Report 20/22 refers)		1.672
Balance of IJB Reserve Drawdown		0.334

Inflationary pressures and budget risks earmarked for 2021/22 no longer required in full (Report 285/21) after adjusting for:-	1.000	
- Tayside Contracts School Meal reduced income 2021/22 (Angus share)	(0.259)	
- Tayside Contracts Additional Costs of 2021/22 Pay Award (Angus share)	(0.280)	0.461
Adjustment to COVID Contingency Reserve (see paragraph 5.3)		0.173
<b>Projected Uncommitted Reserve at 31 March 2022</b>		<b>2.795</b>

### 5.3 Proposed Use of Uncommitted General Fund Reserve

As part of the draft budget strategy it is proposed to use some of the Uncommitted General Fund Reserve for the following areas:-

- It is proposed that £0.875 million of One Off Budget Issues raised by Council Services (column D of Appendix 1) are funded from the uncommitted reserve above. If any of these issues are to be continued beyond 2022/23 then funding for that purpose will need to be identified through the 2023/24 budget setting process. The £0.875 million cost of these issues is therefore not regarded to be part of the Council's core (ongoing) budget at this time.
- To replenish the Council's Change Fund by £0.100 million increasing the uncommitted balance on the Fund from £0.107 million to £0.207 million. The Change Fund is crucial to supporting projects and initiatives in the Change Programme, most of which are focused on achieving savings and delivering on the Council's priorities.
- It is proposed that £0.500 million is earmarked for general financial and inflationary risks in the revenue budget. As explained in Report (62/22) the 2022/23 budget is exposed to significant risks in relation to pay increases, general inflation and energy costs and it is therefore considered prudent and appropriate to specifically earmark some of the uncommitted reserve as an initial protection against those risks. This provision would provide a one-off solution to any cost risks which cannot be met within the 2022/23 revenue budget.
- It is proposed that £0.500 million is earmarked as a funding contribution to the 2021/26 Capital Plan, report 65/22 refers.

The above proposed uses for uncommitted reserves total £1.975 million and Council is being asked to approve this use as part of the 2022/23 budget setting process.

In setting the 2020/21 Revenue Budget the Council approved a strategy in which the Council budgeted to use uncommitted reserves to support its budget over the following 3 financial years but on a diminishing basis. Report 285/21, Budget Strategy Update and Use of COVID-19 Funding – Initial Proposals, to Angus Council on 9 September 2021 revised the previous reserve strategy.

The following was agreed:-

- 2022/23 – use £3.0m of uncommitted reserve available
- 2023/24 – use £2.0m of uncommitted reserve available
- 2024/25 – use £1.0m of uncommitted reserve available

It was emphasised in the revised reserve strategy that the 3 year proposals above would be subject to review to reflect changing circumstances in future budget setting processes. The planned drawdown for 2022/23, 2023/24 and 2024/25 are earmarked as a commitment in the General Fund Reserve so are available in addition to the uncommitted position shown in Table 1.

In addition to the Reserves Drawdown Strategy members also approved, through Report 285/21, the earmarking of £0.500 million of uncommitted Reserves towards 2022/23 revenue budget issues. This funding is therefore also available to support the 2022/23 budget decisions.

Taking all of the above into account the following position would arise:-

**Table 2- Projected Uncommitted General Fund Reserve at 31 March 2022**

	£m
<b>Projected Uncommitted Reserve at 31 March 2022 (Table 1)</b>	<b>2.795</b>
Less used to fund one off budget issues	(0.875)
Less proposed transfer to the Change Fund	(0.100)
Less proposal to earmark monies for inflationary pressures	(0.500)
Less funding contribution to the 2021/26 Capital Plan	(0.500)
<b>Proposed Use of Reserves</b>	<b>(1.975)</b>
<b>Sub-total of Uncommitted Reserve after use for specific purposes</b>	<b>0.820</b>
Add 2022/23 reserve strategy drawdown (£3.0m) and contribution to budget issues earmarked as a commitment (£0.5m)	3.500
<b>Revised Reserve Available for 2022/23 Budget Setting</b>	<b>4.320</b>

It should be borne in mind, however, that the projected year-end position for the current financial year cannot be assessed with certainty until the 2021/22 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund Reserve at the end of 2021/22 will undoubtedly be in excess of the uncommitted sum noted above on the basis that it will include a number of explicit expenditure commitments into 2022/23 such as budget carry forwards and earmarked resources. In addition, experience has shown that projected outturn estimates can potentially change significantly in the last two months or so of the financial year depending on prevailing weather conditions, particularly in respect of roads winter maintenance, heating costs, and so on.

#### 5.4 COVID-19 Contingency Reserve

Members will recall as part of the revisions to the 2020/21 Revenue Budget report 211/20 to Angus Council on 10 September 2020 it was agreed that a COVID-19 contingency reserve be established which could if required be drawn upon to address new COVID-19 issues. In the event that the Contingency isn't required in full any remaining funds can be taken into account for alternative use in setting future budgets. As with all of the Council's Reserves it is necessary to re-assess the level of reserves required for the forthcoming year as part of the budget setting process.

There are a number of COVID related budget issues which officers are recommending be taken at risk for the 2022/23 budget (i.e. not specifically budgeted for because the spend associated with those risks may not be required in whole or in part). The largest of these risks is additional cleaning and hygiene measures in schools. These issues taken at risk come to £1.470 million and officers recommend using the COVID-19 Contingency Reserve to cover these costs should that ultimately be required to ensure compliance with public health guidance.

While potential COVID related impacts, risks and uncertainties do still remain it is considered the most significant ones have been identified within the £1.470 million mentioned above. In these circumstances the level of the COVID-19 Contingency Reserve has been reviewed. Deciding on reserve levels is a matter of judgement and risk appetite rather than absolute rules so taking into account the known risks and allowing a further sum for potential new COVID related risks it is recommended that for the 2022/23 budget the COVID-19 Contingency Reserve be set at £1.750 million. This releases part of the reserve (£0.173 million) back into the main General Fund Reserve. The COVID-19 Contingency Reserve of £1.750 million would be in addition to the Council's main Contingency Reserve of £4.700 million.

The updated position of the COVID-19 Contingency reserve is shown in Table 3 below:

**Table 3 – COVID-19 Contingency Reserve**

	<b>£m</b>
<b>Reserve at 31 March 2021</b>	<b>2.057</b>
Less Earmarked Loss of Income Scheme Attributable to ANGUSalive	(0.265)
Add – balance of remaining funds as per Report 285/21	0.131
Less – impact of review of reserve level for 2022/23 budget setting	(0.173)
<b>Revised Uncommitted Reserve</b>	<b>1.750</b>

The Council's Finance team continue to monitor any COVID-19 costs and funding options as part of the periodic monitoring process which report to each cycle of the Policy & Resources Committee.

#### 5.5 Assessment of Council Reserves

The Council currently holds various earmarked reserves as part of the Council's longer-term financial management strategy. These reserves give the Council a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls where insufficient current revenue or capital budget provision may exist. In accordance with the Chartered Institute of Public Finance and Accountancy's LAAP Bulletin 99 "Local Authority Reserves and Balances" as issued in 2014 a Statement of Earmarked Reserves is attached at Appendix 2. This statement provides details of the various earmarked reserves the Council holds, the purpose of each reserve and the anticipated balance on each reserve as at 1 April 2022. Recommendations regarding the replenishment or draw down from these various funds and reserves are provided in Appendix 2 whilst the latest projected balances on those funds is given in Annex A of Appendix 2. This information is provided to help inform decisions with regard to the level of contributions to be made to / from reserves and balances.

As mentioned above the £4.700 million held as a contingency within General Fund Reserves is to provide some cover against budget risks, unexpected costs and potential shortfalls in, for example, Change Programme savings targets. This is in addition to the resources the Council holds in its other Funds and Reserves. Section 8 of Report 62/22 explains how budget risks have been considered and the Council's strategy for managing these risks in 2022/23.

#### 5.6 Balancing the 2022/23 Revenue Budget

Table 4 of Report 62/22 identifies a remaining funding gap of £6.450 million assuming no Council Tax increase is applied. This funding gap includes £0.875 million of one off budget issues and service investments which are intended to be funded on a one-off basis from Council Reserves. The remaining gap of £5.575 million would therefore require to be funded by increasing the Council Tax and a draw down from the uncommitted General Fund Reserve balance of £4.320 million, as set out in Table 2 above to achieve a balanced budget. If the full amount of uncommitted General Fund Reserves of £4.320 million was applied to the remaining gap a funding gap of £1.255 million would still remain. Members are referred to paragraph 3.7 of Report 62/22 regarding use of Reserves in the communication COSLA and Council Leaders received from the Cabinet Secretary for Finance.

#### 5.7 Allowance for Non-Collection of Council Tax

Despite Angus Council's strong record of collecting Council Tax an element of non-collection of Council Tax will exist and it is considered prudent to make a non-collection allowance to recognise this. The allowance for non-collection agreed by the Council last year in setting the 2021/22 Council Tax was 1.75% and it is proposed that the same allowance of 1.75% is used for 2022/23. It should be noted however that this comes with some risks as going forward into 2022/23 council tax collection may be impacted by wider economic factors in the aftermath of the pandemic. Notwithstanding the potential for higher levels of non-collection in a post pandemic economy officers believe a collection rate of 98.25% is still achievable.

5.8 Balance of 2022/23 Estimated Net Expenditure to be met from Council Taxes

The Council Tax Calculation Statement is attached at Appendix 3. A summary is given in table 4 below:

**Table 4 – Council Tax Calculation**

	£m	£ m
<b>Net Expenditure (per Appendix 1)</b>		<b>313.424</b>
<u>Deduct</u>		
Total Revenue Grants from Scottish Government per circular 9/2021	(237.930)	
Additional Funding announced at Stage 2 of Budget Bill	(2.505)	
Additional Social Work Capacity in Adult Services Funding announced outwith Circular	(0.528)	
Funding yet to be distributed	(8.579)	
<b>Total</b>		<b>( 249.542)</b>
Net Expenditure to be met by Council Tax (Before Contributions to/(from) Council Reserves)		63.882
<u>Add:</u> Investment Proposals to be met from General Fund Reserves		To be Determined
<u>Add/(Deduct):</u> Contribution to / (from) Council Reserves		To be Determined
<b>Net Expenditure to be met by Council Tax (after contribution to / (from) Council Reserves)</b>		<b>To be Determined</b>
Tax Base for Council Tax Calculation Purposes (@ 98.25% collection) * if the Band D Council Tax were £1 it would yield £47,601 of income		47,601

5.9 Council Tax Valuation Bandings

The Council is required to set the Council Tax based on Valuation Band D. The Council Tax Charge for properties in the other Valuation Bands is calculated with reference to Band D based on a formula set down in legislation. The Valuation Bandings used in the calculation of Council Tax are shown in Appendix 4 for information. These bandings are set by legislation not by Angus Council.

**6. FINANCIAL IMPLICATIONS**

6.1 There are no additional financial implications beyond those covered elsewhere in this report.

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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List of Appendices:

Appendix 1 -- Statement of Net Expenditure

Appendix 2 – Statement of Earmarked Reserves

Appendix 2 – Statement of Earmarked Reserves – Annex A

Appendix 3 – Council Tax Calculation Statement

Appendix 4 – Council Tax Valuation Bandings