Moray Council – Council Tax Increase – Background Notes

1. Funding for council services

76% of our income comes from government grant

18% from Council Tax

6% charges for service

1. i) Scottish Government has increased our grant by £9.6M over the past 5 years and increased our responsibilities, resulting in cost increases of £9.8M.

ii) Scottish Government has required us to freeze council tax at the rate set in 2007/08 – any increase would have resulted in a cut in grant of £1.1M (equivalent to a 3.6% increase in council tax)

iii) 94% of our income has been frozen for the past 5 years.

1. Costs have continued to rise during the past 5 years
2. When the Scottish Government first committed to the council tax freeze in 2007 it indicated that it would identify alternative proposals for local taxation. Nine years on and still no alternative. Recently the DFM has indicated that he will not use the powers he has to raise additional income tax.
3. Over the past 5 years we have redesigned services and implemented a range of efficiency savings that have reduced annual costs by around £11M. A further £1M has been raised by increasing charges for services, but the balance of £12M has had to come from cuts to the services that we provide to local communities.
4. Due to increases in taxation, inflation, demand for services, essential investment in schools and roads, plus a £5M reduction in government grant, the council is faced with a budget shortfall of £11.9M. For the year ahead we have identified further efficiency savings, increases in charges and other minor changes amounting to £1.8M but that still leaves a shortfall of £10.1M.
5. The council has £20M available in reserves, but obviously this can only be used once.
6. The council’s ruling Independent/Conservative administration are proposing an 18% rise in council tax to yield an additional £4.3M after allowing for the £1.1M reduction penalty in grant by the government. This proposal will have to be approved by a special meeting of the full council in February.
7. That will mean that our reserves will be reduced to around £15M, and as yet we do not know how we will balance the recurring shortfall of £5.8M. Current indications are that our costs will continue to rise in 2017/18 and the government grant will continue to fall – this will add another £7M to the recurring annual shortfall, giving a total shortfall for 2017/18 of £12.8M
8. We will engage widely with the population of Moray so that they can understand that, despite a very large increase in council tax and ongoing efficiency savings, some services will still need to be cut. We do not want to reduce services further, but by February 2017 it would appear that we will be left with no alternative.