

TITLE OF REPORT: COUNCIL TAX BASE 2013/2014

REPORT OF THE HEAD OF REVENUES, BENEFITS & INFORMATION TECHNOLOGY
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

- 1.1 To enable the Committee to set the Council Tax Base for 2013/2014 in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (the Regulations).

2. RECOMMENDATIONS

- 2.1 That the Committee is recommended to set a non-collection rate of 1% for 2013/2014.
- 2.2 That the Committee is recommended to set the Council Tax Base for 2013/2014 at 46,704.9 and that the individual sums shown in Appendix A for each Parish be agreed.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To fulfil the statutory requirement to set a Council Tax Base for the District and to enable Major and Local Precepting Authorities to set their levels of Council Tax for 2013/2014.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None as this is a prescribed statutory process.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Consultation on the Council's intention on how to distribute Council Tax Reduction Scheme Grant to Parish, Town and Community Councils (Local Councils) (see 8.2 & 8.3) was carried out and a consultation meeting was held on 3 January 2013 at which twenty-eight Local Councils attended.
- 5.2 At the meeting, the Council's proposal for distribution of the Grant was agreed with no dissenters.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 1st September 2012.

7. BACKGROUND

- 7.1 The Regulations require that a formal resolution be made to determine the Tax Base. The Regulations also require that this calculation is made between 1st December and 31st January. It cannot wait until the 'tax-setting' meeting in February because the result must be notified to the County Council by 31st January in each year. Each District Council is therefore required to present the calculation of the Tax Base for tax-setting at a Meeting during December or January.
- 7.2 The abolition of Council Tax Benefit and a new way of providing support for Council Tax to low income families through the introduction of locally based Council Tax Reduction Schemes, has meant that there have been changes to the way that the Council Tax Base is calculated for 2013/2014.

8. ISSUES

Council Tax Reduction Scheme

- 8.1 Since the implementation of Council Tax in 1993, Council Tax Benefit has been a demand-led Benefit, where the Council reduces liability to those who qualify and the subsequent shortfall in the Collection Fund is reimbursed through Council Tax Benefit Subsidy on a pound for pound basis (allowing for any Subsidy Penalties).
- 8.2 From 2013/2014, there will be no Council Tax Benefit Subsidy and the local Council Tax Reduction Schemes will be funded from a cash limited Council Tax Reduction Scheme Grant, which is paid directly to each Major Precepting Authority (in this Council's case the County Council, District Council and Police & Crime Commissioner for Hertfordshire). A similar Grant is also paid to Local Precepting Authorities (Parish, Town & Community Councils) through funding initially paid to the District Council, which it has to distribute to the relevant Local Precepting Authorities.
- 8.3 The legislation requires the District Council to agree with its Local Precepting Authorities how the Grant should be distributed and this was the basis of the consultation that culminated with the meeting held on 3 January 2013 and referred to in 5.1.
- 8.4 At its meeting on 11 December 2012 Cabinet resolved:
- That the principle that Council Tax Reduction Scheme funding for Local Precepting Authorities should be based on the proportion of Council Tax Reduction attributable to each Authority be endorsed, and that the Strategic Director, Finance, Policy and Governance, in consultation with the Portfolio Holder for Finance and IT, be delegated authority for the negotiation of an agreement with the Local Precepting Authorities on these lines*
- 8.5 Through the consultation, this approach has been endorsed by the Local Precepting Authorities.
- 8.6 This has implications for the way in which the Local Precepting Authorities use the Council Tax Base to calculate the level of their individual precepts.
- 8.7 Following the consultation with the Local Precepting Authorities, the position now is that for 2013/2014, they will receive their Council Tax Reduction Scheme Grant in proportion to the expected amount of Council Tax Reduction that will be awarded within each Local Council area, and the Major Precepting Authorities will receive their

Council Tax Reduction Scheme Grant based on the formula devised by the Government.

- 8.8 This is quite straightforward for 2013/2014 as each element of the Council Tax Reduction Scheme Grant is specifically identified. There is speculation that from 2014/2015, the Grant element attributable to the Local Precepting Authorities will be “rolled up” within the District Council’s Revenue Support Grant and may not be so easily identifiable. In this case, further consultation with the Local Councils will be necessary for 2014/2015 onwards.
- 8.9 In all cases, each Precepting Authority is expected to reduce its Council Tax Requirement (Precept) by the amount of Council Tax Reduction Scheme Grant awarded, as this is now paid directly to them.
- 8.10 This means that the funding for Council Tax Reduction Schemes is now effectively removed from the Collection Fund and therefore there has to be an adjustment to the Tax Base, otherwise too much revenue would be raised through Council Tax payments. Whilst the Council Tax Base has always had adjustments for Discounts and Exemptions, it has never previously made any allowance for Council Tax Benefit as this has been directly reimbursed into the Collection Fund as explained at 8.1 above.
- 8.11 To achieve this, the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 introduces an additional element into the Council Tax Base calculation, referred to as item “Z”.
- 8.12 Item “Z” is the Council’s estimate of the amount of Council Tax Reduction Scheme support to be awarded within each Council Tax Band within each Local Precepting Council area and the District as a whole. This figure is then converted into an equivalent number of properties, which is then deducted from the total, thereby reducing the Tax Base.
- 8.13 As an example, if the Council Tax for Band D in a particular Parish Council area was £1,500, and the estimated amount of Council Tax Reduction Scheme support for Band D in that Parish was £4,500, that would be the equivalent of three properties, i.e. $£4,500 \div £1,500$.
- 8.14 This means that there has to be a completely different approach taken to calculating item “Z” as there has to be an assumption of the level of Council Tax to be charged in order to estimate the amount of Council Tax Reduction Scheme support. Previously, the Council Tax Base was used to calculate the amount of Council Tax to be charged, whereas now an estimate of the amount of Council Tax charged has to be made in order to calculate the Council Tax Base.
- 8.15 Appendix B gives an illustrative example of the Council Tax Base calculation for Letchworth Garden City. This is replicated amongst all areas of the District to give a final total, which is seen at Appendix A.
- 8.16 The advice received from the County Council and the Police & Crime Commissioner for Hertfordshire is that they are unlikely to increase Council Tax levels in 2013/2014 and this Council has also made similar indications. For the purposes of this calculation therefore, it has been assumed that Council Tax levels will remain the same as 2012/2013.

Changes to Council Tax Exemptions and Discounts

- 8.17 At its meeting on 13 December 2012, the Council opted to apply a zero Discount to empty properties undergoing structural repairs and a zero Discount after twenty-eight days to other properties, which are empty and substantially unfurnished from 1 April 2013. These properties were previously Exempt from Council Tax and consequently because they will now be liable for Council Tax, this has increased the Council Tax Base.
- 8.18 These changes to Discounts and Exemptions have resulted in over 500 properties being removed from the number of Exemptions in the Council Tax Base calculation.

Non-Collection Rate

- 8.19 In setting its Council Tax Base, the Council has always had to decide on its expected level of non-collection and this has not changed under the new arrangements. For many years, the Council has assumed a non-collection rate of 1%.
- 8.20 It should be borne in mind when considering the non-collection rate that there are a number of factors, other than eventually non-collected payments, which will impact on the collection rate and these are as follows:-
- (i) The level of successful appeals against banding valuations.
 - (ii) The impact of new properties coming into tax which may not be valued until the following year.
 - (iii) The number of disablement applications, Discounts and Exemptions.
- 8.21 Any surplus (or deficit) on the Council Tax Collection Fund is split between the Major Precepting Authorities (the County Council, Hertfordshire Police and this Council) in proportion to the relative level of precept on the fund (approximately 77:10:13 County/Police/District in 2012/2013). The surplus can only be used to reduce (or increase in the case of a deficit) Council Tax bills in 2013/2014; but whereas the District proportion of the surplus reduces bills only in North Hertfordshire, the County and Police proportions are dissipated across the whole of Hertfordshire. The actual impact on bills will, therefore, depend not only upon the collection performance of this Council but of that of all other Hertfordshire authorities as well.
- 8.22 The collection performance in 2012/2013 has remained in line with the estimated position, despite the current economic climate.
- 8.23 It is possible that because many families who previously received 100% Council Tax Benefit will from 2013/2014 have to pay a proportion of their Council Tax, that this could affect the collection rate and that Council Tax arrears will increase.
- 8.24 It is estimated that the change from Council Tax Benefit to Council Tax Reduction Scheme could result in up to £1.8M, which was previously paid in Council Tax Benefit, now having to be collected.
- 8.25 Most Billing Authorities that we are aware of, are making an assumption that around 30% of this amount will not be collected, which would increase this Council's non-collection assumption by a further 0.8%.
- 8.26 Analysis of the Council's collection performance shows that actual collection can expect to reach 99.5% within three years and 99.9% within ten years. On that basis,

Officers are recommending that the non-collection rate should remain at 1% for 2013/2014.

- 8.27 It is estimated that at the end of this financial year, there will be a surplus in the Collection Fund of approximately £200,000, approximately £26,000 of which will be attributable to the Council. The Tax Base for each Parish based upon a 99% collection rate is shown in Appendix A.

9. LEGAL IMPLICATIONS

- 9.1 The terms of reference of this Committee are to set the Council Tax Base for the Council in accordance with the Regulations.
- 9.2 The formula to be used for the calculation of the Council Tax Base is set out in the Local Authority (Calculation of Council Tax Base) Regulations 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. The content and timing of the supply of information from and to the Major Precepting Authorities and the Billing Authority is regulated by the Local Authority (Calculation of Council Tax Base) (Supply of Information) Regulations 1992.

10. FINANCIAL IMPLICATIONS

- 10.1 The Council Tax Base agreed will be used to determine the actual level of Council Tax levied by the Council at its meeting in February 2013.
- 10.2 Using a Council Tax Base of 46,704.9 and the current Band D Council Tax of £196.59 plus the Council Tax Reduction Scheme Grant of £0.974m for 2013/14 results in a total projected income from Council Tax of £10,156,037 compared to £9,944,498 in 2012/13.

11. RISK IMPLICATIONS

- 11.1 The introduction of the Council Tax Reduction Scheme and the changes to the way that the Council Tax Base is calculated has introduced a significant financial risk to all the Major Precepting Authorities. As explained at 8.17, any shortfall in the Collection Fund would have to be made up by the Major Precepting Authorities in proportion to the level of Precept, either directly or through increased Council Taxes in subsequent years.
- 11.2 Because of the uncertainty, particularly in this first year, this financial risk will be included in the financial risks for the Authority as part of the budget setting process.
- 11.3 The increased yield in Council Tax detailed in 10.2 above is mainly due to the changes to Council Tax Discounts and Exemptions that the Council approved at its meeting on 13 December 2012. The additional revenue generated by the changes could be used initially to mitigate against any unforeseen increases in Council Tax Support.

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 As stated at 8.19, the overall package of changes relating to Council Tax Reduction and the removal of Exemptions for some unoccupied properties will require some families who did not previously pay to make some payment towards their Council Tax from April 2013. There will therefore be some families for whom household expenditure will rise and it could therefore be seen to have a detrimental effect. This is not however directly attributable to the recommendations in this report on the Council Tax Base and is the result of the Council having to implement legislative changes.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no Human Resource implications in this report.

15. APPENDICES

- 15.1 Appendix A – Council Tax Base by Parish 2013/2014.
- 15.2 Appendix B – Example of Council Tax Base calculation for Letchworth Garden City.

16. CONTACT OFFICERS

- 16.1 Report Author: Howard Crompton
Head of Revenues, Benefits & IT
Tel: 01462 474247
Email: howard.crompton@north-herts.gov.uk
- 16.2 Contributors: Norma Atlay
Strategic Director of Finance, Policy & Governance
Tel: 01462 474297
Email: norma.atlay@north-herts.gov.uk
- Margaret Martinus
Senior Lawyer
Tel: 01462 474268
Email: margaret.martinus@north-herts.gov.uk
- Liz Green
Head of Policy & Community Services
Tel: 01462 474230
Email: liz.green@north-herts.gov.uk
- Tim Neill
Accountancy Manager
Tel: 01462 474461
Email: tim.neill@north-herts.gov.uk

17. BACKGROUND PAPERS

17.1 Briefing Note to Local Precepting Authorities.

17.2 Minutes of Meeting held with Local Precepting Authorities on 3 January 2013.

THIS PAGE IS BLANK