

<b>COUNCIL TAX SETTING COMMITTEE</b> <b>13 January 2015</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>6</b>
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**TITLE OF REPORT: COUNCIL TAX BASE 2015/2016**

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 2015/2016 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 2015/2016.
- 2.2 That the Committee is recommended to set the Council Tax Base for 2015/2016 at 47,371.5 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 2015/2016.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None as this is a prescribed statutory process.

**5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 Discussion on the options available to distribute Council Tax Reduction Scheme Grant to Parish, Town and Community Councils (Local Councils) (see 8.2 & 8.4) was carried out at the Annual Parish Conference on 23 October 2013, where the principle to link this to the Council's own financial settlement was established. There has continued to be consultation with Parish, Town and Community Councils including through the Annual Conference on 22 October 2014, and on an individual basis concerning the effects of the Tax Base on their own Precepting arrangements.
- 5.2 A further meeting with Parish, Town and Community Councils is scheduled for 12 January 2015, by which time the effects of the financial settlement for 2015/2016 will be known and will have been evaluated.

- 5.3 Consultation has also taken place with the County Council and the Police & Crime Commissioner for Hertfordshire. Both organisations are happy to support the Council's approach of making no fundamental changes to the Council Tax Reduction Scheme, which would have implications for the Tax Base calculation, were there to be significant changes introduced.

## **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 1 August 2014.

## **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 households 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 from 2013/2014 onwards.

## **8. ISSUES**

### **Council Tax Reduction Scheme**

- 8.1 Since the implementation of Council Tax in 1993 and until the 2013 changes, Council Tax Benefit had been a demand-led Benefit, where the Council reduced liability to those who qualify and the subsequent shortfall in the Collection Fund was reimbursed through Council Tax Benefit Subsidy on a pound for pound basis (allowing for any Subsidy Penalties).
- 8.2 From 2013/2014, there is no Council Tax Benefit Subsidy and the local Council Tax Reduction Schemes was funded in the first year from a cash limited Council Tax Reduction Scheme Grant, which was 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 was also paid to Local Precepting Authorities (Parish, Town & Community Councils) through funding initially paid to the District Council, which it then distributed to the relevant Local Precepting Authorities.
- 8.3 From 2014/2015 onwards, this "Grant" is no longer separately identified and is rolled in with the overall financial settlement announced just before Christmas. The amount of Council Tax Reduction awarded directly effects the Tax Base by reducing it by the equivalent number of Band D properties proportionate to the amount of expenditure. This is now therefore established within the Council Tax Base.

- 8.4 The legislation requires the District Council to agree with its Local Precepting Authorities how the proportion of the Grant for Local Precepting Authorities should be distributed and this was the basis of the discussion at the Parish Conference on 23 October 2013.
- 8.5 At its meeting on 10 December 2013 Cabinet resolved:
- That, in considering the level of funding for the Council Tax Reduction Scheme in 2014/2015 and the amount to be delegated to the Local Precepting Authorities, the Strategic Director of Finance, Policy and Governance and the Portfolio Holder for Finance and I.T. take into consideration Cabinet's view that any change should reflect the overall final financial settlement*
- 8.6 Although the final decision on the total funding to Local Councils will be taken by the Council later this month, an assumption has had to be made at this stage based on the clear Cabinet view that this should reflect any overall changes in Government support.
- 8.7 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.
- 8.8 The total amount specifically earmarked for the Local Precepting Authorities Grant in 2013/2014 was £90,850. This was reduced to £79,103 for 2014/2015 and based on a 15% reduction in funding for 2015/2016 and applying the principle described at 8.5 should reduce to £67,238 for 2015/2016..
- 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. Appendix B shows the level of Band D Council Tax for each Parish for 2014/2015 and that projected for 2015/2016 assuming the same level of Precept.
- 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 C 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 not expecting to increase Council Tax levels in 2015/2016. This Council is considering whether to increase Council Tax levels in 2015/2016 and Cabinet will be recommending to Council at their meeting on 12 February 2015 that this is increased by 1.9%.
- 8.17 A 1.9% increase in Council Tax for the District Council would increase the overall level of Council Tax by around £3.88 for Band D. This would result in an increase of Council Tax Reduction of around £18,400, which is well within the expected underspend of the budget, currently estimated at around £187,000 if Council approves the recommendation from Cabinet to reduce the percentage payment reduction for working age claimants where there is nobody in the household with a disability from 33.13% to 25%.
- 8.18 For the purposes of calculating this Tax Base, the same Council Tax levels have been assumed for 2015/2016 as 2014/2015 as a 1.9% increase by the District Council has a minimal effect on overall Council Tax Reduction Scheme spending.

### **Changes to Council Tax Exemptions and Discounts**

- 8.19 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 are now liable for Council Tax, this increases the Council Tax Base.
- 8.20 These changes to Discounts and Exemptions are now fully embedded into the Council Tax Base calculation.

### **Non-Collection Rate**

- 8.21 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%.
- 8.22 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.

- 8.23 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 76:10:14 County/Police/District in 2014/2015). The surplus can only be used to reduce (or increase in the case of a deficit) Council Tax bills in 2015/2016; 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.
- 8.24 The collection performance in 2014/2015 is slightly down on previous years (around 0.4%) and a factor contributing to this is the ability to extend instalments into February and March. These instalments amount to 2.32% of the collectable debit.
- 8.25 In setting the non-collection figure, Members should be mindful that this is based on the ultimate expected collection rate and not the in-year collection rate. Ultimate collection rates remain high. Each previous financial year is now over 99.0% and for every year before 2011/2012 is over 99.5%.
- 8.26 It was expected that because many families who previously received 100% Council Tax Benefit would from 2013/2014 have to pay a proportion of their Council Tax, that this could significantly affect the collection rate and that Council Tax arrears would increase. The evidence so far would support the conclusion that collection rates remain on course but are taking longer to achieve.
- 8.27 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.
- 8.28 At the time of preparing this report, it is estimated that there will be a Council Tax surplus on the Collection Fund for the financial year 2014/2015 of £171,000. This will bring the year end position at the 31 March 2015 to a surplus of £250,000. The NHDC share of this surplus will be £79,000.

## **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 2015.

- 10.2 Using a Council Tax Base of 47,371.5 and the current Band D Council Tax of £204.13 will result in projected income from Council Tax of £9,669,944, compared to £9,589,599 in 2014/15.

## **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 8.23, 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, this financial risk will be included in the financial risks for the Authority as part of the budget setting process.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> 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 on their disposable income. 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 Paragraph 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 2015/2016.
- 15.2 Appendix B – Variations in Council Tax Levels by Parish.

15.3 Appendix C – Example of Council Tax Base calculation for Letchworth Garden City.

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## **17. BACKGROUND PAPERS**

- 17.1 None.