

**COUNCIL TAX SETTING COMMITTEE  
14 JANUARY 2020**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX BASE 2020/2021**

**REPORT OF: SERVICE DIRECTOR - CUSTOMERS**

**EXECUTIVE MEMBER: COUNCILLOR IAN ALBERT**

**CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT**

**NEW COUNCIL PRIORITY: BUILD THRIVING AND RESILIENT COMMUNITIES**

**1. EXECUTIVE SUMMARY**

1.1 To set the Council Tax Base for 2020/2021 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 2020/2021.
- 2.2 That the Committee is recommended to set the Council Tax Base for 2020/2021 at 49,979.6 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 2020/2021.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1. None as this is a prescribed statutory process.

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

5.1 Both the County Council and the Police & Crime Commissioner for Hertfordshire have been consulted on the two minor changes to the Council Tax Reduction Scheme for 2020/2021. There has been no formal response from either at the time of preparing this report. However, the changes are so minimal as to have practically no effect on the Tax Base.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

## **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 1 December and 31 January. It cannot wait until the 'tax-setting' meeting in February because the result must be notified to the County Council, Police & Crime Commissioner for Hertfordshire and Local Councils by 31 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 the introduction instead of locally designed Council Tax Reduction Schemes in 2013/14 changed the way that the Council Tax Base must be calculated.

## **8. RELEVANT CONSIDERATIONS**

### **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 Since 2013/2014, there has been no Council Tax Benefit Subsidy and the local Council Tax Reduction Scheme 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 Since 2014/2015, the amount of Council Tax Reduction awarded directly affects the Tax Base by reducing it by the equivalent number of Band D properties proportionate to the amount of expenditure. This is now established within the Council Tax Base.

### **The Calculation**

- 8.4 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 of 49,979.6, which is seen at Appendix A.
- 8.5 This is an increase in the Council Tax Base of 481.2 compared with 2019/2020 or 0.97%.

## **Non-Collection Rate**

- 8.6 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. Since 1995/1996, the Council has assumed a non-collection rate of 1%.
- 8.7 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
  - (iv) The value of Council Tax Reduction Scheme awards
- 8.8 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 76.5:10.6:12.9 County/Police/District in 2019/2020). The surplus can only be used to reduce (or increase in the case of a deficit) Council Tax bills in 2020/2021; 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.
- 8.9 The collection performance in 2019/2020 is broadly in line with that of 2018/2019 (75.6% compared with 75.9% at the end of November). Although the comparative collection rate is down by 0.3%, the value of instalments extended into February and March is 0.4% of the collectable debit in 2019 compared with 0.3% at the same time in 2018. This reflects the increasing number of customers opting to pay in twelve instalments rather than ten.
- 8.10 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 2017/2018 has now reached over 99.5%.
- 8.11 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 may take longer to achieve than before 2013/2014.
- 8.12 Analysis of the Council's collection performance shows that actual collection can expect to reach 99.5% within three to four years and 99.9% within ten years. On that basis, Officers are recommending that the non-collection rate should remain at 1% for 2020/2021.

## **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 2020.
- 10.2 Using a Council Tax Base of 49,979.6 and the current Band D Council Tax of £230.13 will result in projected income from Council Tax of £11,501,805, compared to £11,060,417 in 2019/2020. The Medium Term Financial Strategy and draft budgets propose that there will be an increase in the Council Tax rate in 2020/2021 which will further increase the projected income.

## **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 8.8, 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 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
- 12.2 There are no direct equality implications arising from this report. Ensuring that the Council has sufficient income to deliver the services that residents rely on whilst keeping Council Tax Levels at an appropriate level is important.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and “go local” policy do not apply to this report.

## **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 2020/2021
- 15.2 Appendix B – Example of Council Tax Base calculation for Letchworth Garden City

## **16. CONTACT OFFICERS**

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## **17. BACKGROUND PAPERS**

- 17.1. None