

# North Tyneside Council Report to Cabinet Date: 28 January 2013

## ITEM 3

Title: Calculation of the 2013/14  
Council Tax Base for North  
Tyneside Council

Portfolios: Finance  
Housing

Cabinet Members: Councillor Judith Wallace  
Councillor Paul Mason

Report from: Finance and Resources

Report Author: Fiona Rooney, Strategic Director of Finance and Resources (Chief Finance Officer) Tel: 643 5724

Wards affected: All

### 1.1 Purpose:

The purpose of this report is to:

- (a) Provide an explanation of how the North Tyneside Council Tax Base for 2013/14 has been calculated; and,
- (b) Seek approval from Cabinet for the calculation of the Authority's Council Tax Base for 2013/14, which has been calculated as 53,034.

### 1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) Approve this report on the calculation of North Tyneside's Council Tax Base for 2013/14, and,
- (2) Pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 agree that the amount calculated by North Tyneside Council as its Council Tax Base for 2013/14 shall be 53,034.

The above recommendations are based on no changes to existing Exemptions and Discounts. On 13 August 2012 Cabinet considered the changes to Council Tax Support and the introduction of a Local Council Tax Support scheme. Cabinet chose

to consult on a scheme that continued to support pensionable people in a similar way as the current scheme. It was proposed that the same qualifying and claiming conditions would apply as they currently do. However, the main change would be the entitlement for working age claimants would be based on a reduced liability of 80% rather than 100%. This 2013/14 Council Tax Base calculation is based on this option in relation to the Local Council Tax Support scheme.

Full Council, at its meeting on 24 January 2013 can propose and agree changes in relation to both Technical Reforms of Council Tax i.e. changes to Exemptions and Discounts and the Local Council Tax Support scheme. As this report needs to be published by 18 January 2013 to meet publication deadlines, then, any changes made by Full Council on 24 January 2013 which are different to the basis on which this report has been based, will require the re-calculation of the 2013/14 Council Tax Base included within this report, for consideration by Cabinet before 31 January 2013.

### **1.3 Forward plan:**

- 1.3.1 The requisite 28 days' notice of this report has been given and it first appeared on the Forward Plan that was published on 28 November 2012.

### **1.4 Council plan and policy framework:**

- 1.4.1 This Taxbase calculation is a key element of the Budget Setting process and therefore is a key strand of the Budget and Policy Framework.

### **1.5 Explanation of the Council Tax Base Calculation**

- 1.5.1 The Council Tax Base is an annual statutory calculation, used to determine the level of Council Tax for individual properties. The Tax Base represents the number of properties which will be subject to council tax, and which are expressed in terms of their Band D equivalents, after allowing for the effect of discounts and exemptions.
- 1.5.2 The agreed Tax Base for North Tyneside Council for 2013/14 will be used in the 2013/14 budget and council tax calculation. Further information in relation to this is set out in the financial implications element of this report, at section 2.1. The Tax Base is also used as the basis for the major precepting authorities (Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.
- 1.5.3 The Welfare Reform Act 2012 abolished Council Tax Benefit from 31 March 2013 and requires that Local Authorities have to create a localised Council Tax Support Scheme with effect from 1 April 2013. For the calculation of the 2013/14 Council Tax Base, Council Tax Support takes the form of reductions, thereby reducing the Council Tax Base significantly. Billing Authorities and major precepting authorities (for us the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority) receive funding in 2013/14 through the Council Tax Support Grant which

reduces the council tax requirement and offsets the revenue foregone through the commensurate reduction in the Council Tax Base.

- 1.5.4 This fundamental change to the calculation of the Council Tax Base is reflected through the new Local Authorities (Calculation of Council Tax) (England) Regulations 2012. These new Regulations introduce the following Formula for the calculation of relevant amounts for the 2013/14 Council Taxbase:

Item T becomes:

$$((H - Q + E + J) - Z) \times (F / G)$$

This is where:

**H**

Is the number of chargeable dwellings in the area of the billing authority listed in the band on the relevant day calculated by deducting from the number of dwellings listed in the band on the relevant day, an estimate of the number of such dwellings which were exempt on that day.

**Q**

Is a factor to take account of the discounts to which the amount of council tax payable was subject on the relevant day.

**E**

Is a factor to take account of the premiums, if any, to which the amount of council tax payable was subject on the relevant day.

**J**

Is the amount of any adjustment in respect of changes in the number of chargeable dwellings or discounts calculated by the authority.

**Z**

Is the total amount that the authority estimates will be applied as a result of the authority's council tax reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in that band. Item Z is further adjusted to reflect changes due to additional properties being included in the relevant band, properties being removed from the relevant band or becoming exempt, any estimated increase or decrease in the number of persons that will become entitled to a discount during the year.

**F**

Is the number which, in the proportion set out in Section 5(1) of the Local Government Finance Act 1992, is applicable, as regards the year, to dwellings listed in the band.

**G**

Is the number which, in that proportion, is applicable, as regards the year, to dwellings listed in valuation band D.

1.5.5 The key new elements within the calculation are the introduction of E, an increase for premiums and item Z to reflect the reduction in the Tax Base due to the Council Tax Support scheme.

1.5.6 The relevant amount is classified as Item A in the subsequent formula where:

A = The total of the relevant amounts for that year for each of the valuation bands which is shown or is likely to be shown for any day in that year in the authority's valuation list as applicable to one or more dwellings situated in its area. This produces the final stage of the calculation of  $A \times B$  where B is the authority's estimate of its collection rate for that year.

### **Technical Reforms to Council Tax**

1.5.7 The Local Government Finance Act 2012, which received Royal Assent on 31 October 2012 set out changes to Council Tax legislation and provided the statutory framework under which the decisions on local discounts and second homes may be made.

1.5.8 Proposals in relation to Exemptions and Discounts will be considered by Full Council at its meeting to be held on 24 January 2013. The 2013/14 Council Tax Base calculation included within this report is predicated on no change to the current Exemptions and Discounts.

### **Local Council Tax Support Scheme**

1.5.9 As noted previously, the Local Council Tax Support scheme makes a significant change to the calculation of the 2013/14 Council Tax Base. The 2013/14 Council Tax Base set out within this report is based on Local Council Tax Support scheme option as set out at section 1.2 to this report. If Full Council, at its meeting to be held on 24 January 2013 adopts a Local Council Tax Support scheme other than this option, then this will again necessitate the recalculation of the 2013/14 Council Tax Base set out within this report. This is because different Local Council Tax Support schemes produces different Council Tax Base calculations for 2013/14.

### **Tax Base Calculation for 2013/14**

1.5.10 The detailed Council Tax Base calculation for North Tyneside for 2013/14 is attached as **Appendix A** to this report, together with an explanation of the specific elements that form part of this calculation. Within this calculation, adjustments have been made to reflect the effect of exempt properties, disabled relief and discounts. Specifically these adjustments include:

- The estimated number of new dwellings that will be completed during 2013/14;
- The estimated number of dwellings to be demolished during 2013/14;
- The estimated number of dwellings where the liable person qualifies for a disabled reduction;
- The estimated number of exempt dwellings during 2013/14;
- The estimated impact of the Council Tax Support scheme in 2013/14;

- The estimated number of dwellings where the liable person qualifies for a discount (25% for single person households and 50% where the occupiers are exempt or the dwellings have been empty for more than 6 months); and,
- Adjustments in respect of the Council Tax second home discounts.

1.5.11 Applying the adjustments listed in paragraph 1.5.10 has the effect of reducing the total number of properties to a common base for each band, in terms of full year equivalents.

1.5.12 The regulations ensure that the Council Tax Base for an area takes into account the effect of disability reductions in respect of dwellings which fall within Band A. They introduced an additional 'alternative valuation band' to allow Band A properties to qualify for a disabled reduction. Previously, properties adapted to meet the needs of a disabled person were charged at a rate equal to the next lowest valuation band, so for example a qualifying Band D property would be charged at a Band C rate, but this hadn't applied to Band A properties. Instead of paying the normal Band A charge (six-ninths of the Band D charge) a qualifying Band A property is now charged five-ninths of the Band D charge. For the purpose of the Council Tax Base calculation it is now necessary to show Band A properties which qualify for a disabled reduction as if it were an additional valuation band. Deductions are then made for exempt dwellings and the estimated impact of the Council Tax Support scheme for 2013/14, as set out earlier within this report.

1.5.13 The above regulations also require that the Tax Base calculation is based on the position as at 30 November each year. The resulting 2013/14 Council Tax Base for North Tyneside Council is therefore slightly different to that used by the Communities for Local Government (CLG) for Revenue Support Grant purposes as this information is calculated on an earlier date, which for 2013/14 is the position as at 10 September 2012.

1.5.14 In order to arrive at the Council Tax Base calculation for 2013/14, the number of properties within each of the Council Tax Bands A – H have been converted to their Band D equivalents, using the appropriate proportions, shown in Table 1 below. The result of this calculation for 2013/14 is to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 53,791.

**Table 1: Council Tax Band Proportions**

<b>Council Tax Band</b>	<b>Proportion of Band D</b>
Band A Entitled to Disabled Relief Reduction	5/9 (55.6%)
Band A	6/9 (66.7%)
Band B	7/9 (77.8%)
Band C	8/9 (88.9%)
Band D	9/9 (100.0%)
Band E	11/9 (122.2%)
Band F	13/9 (144.4%)
Band G	15/9 (166.7%)
Band H	18/9 (200.0%)

1.5.15 The next stage of the Council Tax Base calculation involves making a deduction for the non-collection of Council Tax. This non-collection element of the calculation is

made in respect of the amounts that are legally due, but which, for varying reasons, may not be collected. The assumed Council Tax collection rates for North Tyneside have improved significantly since 1993/94, when the assumed collection rate was 95%. The assumed North Tyneside Council Tax collection rates for each year from when council tax was introduced in 1993/94 are illustrated in Table 2 below:

**Table 2: Assumed North Tyneside Council Tax Collection Rates Since 1993/94**

<b>Year</b>	<b>Assumed North Tyneside Council Tax Collection Rate</b>
1993/94	95.00%
1994/95	96.00%
1995/96	96.50%
1996/97	96.625%
1997/98	96.75%
1998/99	97.00%
1999/00	98.00%
2000/01	98.125%
2001/02	98.25%
2002/03	98.60%
2003/04	98.75%
2004/05	98.875%
2005/06, 2006/07 & 2007/08	99.00%
2008/09, 2009/10 & 2010/11	99.10%
2011/12	99.20%
2012/13	99.20%

### **Cumulative Council Tax Collection Rate**

1.5.16 A fundamental issue for the Council Tax Base calculation is the cumulative percentage council tax collection rate to apply. For 2012/13 it was recommended that a collection rate of 99.20% should be applied, in accordance with what was agreed by Full Council in setting the Council Tax Base for 2011/12. However for 2013/14 a lower collection rate is proposed, mainly due to the estimated impact of the Local Council Tax Support scheme, which is expected will reduce overall Council Tax collection. Clearly it is quite difficult to produce exact figures for the impact of the Local Council Tax Support scheme as this is a new scheme, so patterns of behaviour and collection are difficult to estimate. Analysis has been undertaken which has estimated a 27% loss in collection as a result of the Local Council Tax Support scheme. Factoring this into the totality of the Council Tax Base, combined with the estimated impact of other Welfare Reform changes produces an estimated reduction in the ultimate Council Tax collection rate from 99.20% to 98.50%. **It is therefore proposed that an Ultimate Council Tax Collection Rate of 98.50% is set as part of the 2013/14 Council Tax Base calculation.** This is felt prudent as the risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Collection Fund, which in turn will have to be funded by the Council's General Fund. This calculation is reviewed on an annual basis, at which time the impact of the Local Council Tax Support scheme on anticipated collection will be able to be more accurately assessed.

1.5.17 The final stage of the Council Tax Base calculation involves adding an estimated amount in respect of contributions in lieu of Council Tax to be made to the authority, which is expressed in terms of the number of Band D equivalent properties. For 2013/14 this figure for North Tyneside Council which relates to Ministry of Defence properties is 50 Band D equivalent properties.

1.5.18 The resulting 2013/14 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu is 53,034. This equates to a reduction of 11,185 Band D equivalent properties compared to 2012/13, with the vast majority of this difference being accounted for by changes to the Local Council Tax Support scheme.

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### **Option 1**

1.6.1 Whilst the annual Council Tax Base calculation is a statutory calculation, there is always discretion to amend the cumulative Council Tax collection rate each year, based on experience and actual / anticipated collection rates and to make changes to Exemptions and Discounts. As however the decisions on changes to Exemptions and Discounts and the Local Council Tax Support scheme are decisions for Full Council, at its meeting on 24 January 2013, then Option 1 is therefore:

- Setting the 2013/14 Council Tax Base for North Tyneside Council using a cumulative council tax collection rate of 98.50%;
- No change to existing Exemptions and Discounts; and,
- The Local Council Tax Support Scheme option as set out at section 1.2 to this report.

### **Option 2**

1.6.2 The only available option for Cabinet following the setting of the Local Council Tax Support scheme and Exemptions and Discounts by Full Council, are options for Cabinet to amend the ultimate Council Tax collection rate, which impacts on the 2013/14 Council Tax Base calculation. As noted earlier within this report, the current collection rate of 99.20% is proposed to be reduced to 98.50% for 2013/14. An increase in the collection rate would increase the Council Tax Base and a reduction in the collection rate would reduce the Council Tax Base. For illustrative purposes the impact of different Council Tax collection rates are shown in Table 3 below. As a guide, for 2013/14 each 0.1% change to the collection rate would change the Council Tax Base by approximately 54 Band D equivalent properties which would equate to a change in resources of approximately £0.071m. Any changes to current Exemptions and Discounts and the Local Council Tax Support scheme option as set out at section 1.2 to this report made by Full Council would impact on the figures shown in Table 3 below.

**Table 3: Illustrative Example - Impact of Changing the Council Tax Collection Rate**

<b>Council Tax Collection Rate</b>	<b>Revised Council Tax Base for 2013/14</b>	<b>Change in Resources for 2013/14</b>
98.40%	52,980	Reduction in Resources of £0.071m
98.50%	53,034 (Proposed)	No Change
98.60%	53,088	Increase in resources of £0.071m

## 1.7 Reasons for recommended option:

1.7.1 Option 1 is recommended for the following reasons:

- (a) Council Tax Collection Rate  
 The proposed 98.50% Council Tax collection rate, a reduction from the 2012/13 council tax collection rate of 99.20% is felt to be prudent to reflect the estimated impact on the Council Tax Base for 2013/14 of the Local Council Tax Support scheme. The risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Collection Fund, which in turn will have to be funded by the Authority's General Fund. This figure is based on our estimate of the potential non-collection as a result of the Council Tax Support scheme. This collection rate is reviewed as part of the annual Council Tax Base calculation, and the 98.50% collection rate will be reviewed in determining the Council Tax Base for 2014/15.
- (b) Exemptions and Discounts  
 The options set out within this report are based on no changes to current Exemptions and Discounts.
- (c) Local Council Tax Support Scheme  
 The options set out within this report are based on the Local Council Tax Support Scheme option as set out at section 1.2 to this report.

## 1.8 Appendices:

Appendix A: Detailed Council Tax Base calculation for North Tyneside Council for 2013/14.

## 1.9 Contact officers:

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## **1.10 Background information:**

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (1) Local Government Finance Act 1992.
- (2) Localism Act, 2011.
- (3) Local Government Finance Act 2012.
- (4) Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

This report details the 2013/14 Council Tax Base calculation. This annual calculation is a key component of the council tax and budget setting process. The Council Tax Base is used as a denominator within the annual council tax and budget calculation to determine the exact level of Council Tax to be charged for each valuation band for a given year. The charge for each Council Tax Band (A-H) for 2013/14 is calculated by dividing the amount of council tax income required by the agreed 2013/14 Council Tax Base for North Tyneside. It is also used as the basis for the major precepting authorities (Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.

As noted previously, the change to the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 produces a fundamental change to the localised Council Tax Support scheme with effect from 1 April 2013. For the calculation of the 2013/14 Council Tax Base, Council Tax Support takes the form of reductions, thereby reducing the Council Tax base significantly. No changes to existing Exemptions and Discounts and the impact of the Local Council Tax Support scheme option as set out at section 1.2 to this report have been factored into the 2013/14 Council Tax Base calculation in this report.

These regulations result in the proposed Council Tax Base calculation for 2013/14 which represents a reduction of 11,185 Band D equivalents compared with 2012/13. North Tyneside Council is receiving direct funding of £14.152m as a grant for the Local Council Tax Support scheme in 2013/14 to offset by revenue foregone through the commensurate reduction in the Council Tax Base.

This 2013/14 Council Tax Base figure included within this report has been built into the 2013/14 Budget proposals to be considered by Cabinet at its meeting to be held on 28 January 2013.

## **2.2 Legal**

Under the Local Government Finance Act 1992, as amended, Cabinet is required to make an annual resolution for calculating the Council Tax Base and to notify this figure to major precepting authorities, which in the case of North Tyneside Council are the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority during the period from 1 December to 31 January. Once the Tax Base for 2013/14 has been set, it cannot be altered after 31 January 2013.

The Local Government Finance Act 2012 allows Exemptions and Discounts to be amended by decision of Council. As proposals are being considered by Council at its meeting on 24 January 2013, any changes made to the assumptions on which the 2013/14 Council Tax Base calculation in this report has been based will result in the re-calculation of the 2013/14 Council Tax Base and the submission of a supplementary report to Cabinet incorporating relevant changes for consideration at the Cabinet meeting.

## **2.3 Consultation/community engagement**

### **Internal consultation**

- 2.3.1 Consultation on this report has taken place with the Elected Mayor and Cabinet Member for Finance. One of the key elements that determine the 2013/14 Council Tax Base Calculation, changes to the Local Council Tax Support scheme, has been the subject of a specific consultation over the Autumn of 2012.

### **Community engagement**

- 2.3.2 There has been no direct community engagement in relation to this particular report. However, one of the key aspects which impacts on the 2013/14 Council Tax Base calculation is the changes to the Local Council Tax Support scheme, on which an extensive consultation was carried out over the Autumn of 2012.

## **2.4 Human rights**

The proposals within this report do not themselves have direct implications in respect of Human Rights.

## **2.5 Equalities and diversity**

The proposals within this report do not themselves have direct implications in respect of equalities and diversity. As this report proposes no change affecting members of the public or service provision an Equality Impact Assessment (EIA) is not required for this report.

## **2.6 Risk management**

Appropriate risks have been considered in determining the proposed Council Tax collection rate, as noted within the report, which forms part of the overall Council Tax Base calculation for 2013/14.

## 2.7 Crime and disorder

The proposals within this report do not themselves have direct implications for crime and disorder.

## 2.8 Environment and sustainability

The proposals within this report do not themselves have direct implications in relation to the environment and sustainability.

### PART 3 - SIGN OFF

- Strategic Director(s)
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager, Policy and Partnerships