

## **Extraordinary Cabinet (Reconvened Meeting)**

**31 January 2013**

**Present:** Mrs L Arkley (Elected Mayor) (in the Chair),  
Councillors E Hodson, D Lilly, P Mason,  
and Mrs JA Wallace.

### **CAB185/01/13 Apologies**

Apologies were received from Councillors LJ Miller and GC Westwater.

### **CAB186/01/13 Declarations of Interest**

There were no declarations of interest made.

### **CAB187/01/13 Calculation of the 2013/14 Council Tax Base for North Tyneside Council (All Wards)**

Cabinet considered a report which provided an explanation of how the North Tyneside Council Tax Base for 2013/14 had been calculated and requested approval of the calculation of the Authority's Council Tax Base for 2013/14, which had been calculated as 53,006.

This figure reflected the impact of the changes to the Technical Reforms of Council Tax i.e. Exemptions and Discounts agreed by full Council on 24 January 2013 and the Localised Council Tax Support Scheme approved by full Council on 30 January 2013.

The agreed Tax Base would be used in the 2013/14 budget and council tax calculation. Further information in relation to this was detailed in the financial implications section of the report. The Tax Base was 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.

The Welfare Reform Act 2012 abolished Council Tax Benefit from 31 March 2013 and required Local Authorities 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 took the form of reductions, thereby reducing the Council Tax Base significantly. Billing Authorities and major precepting authorities received funding in 2013/14 through the Council Tax Support Grant which reduced the council tax requirement and offset the expected revenue through the commensurate reduction in the Council Tax Base.

This fundamental change to the calculation of the Council Tax Base was reflected through the new Local Authorities (Calculation of Council Tax) (England) Regulations 2012. These new Regulations introduced a Formula for the calculation of relevant amounts for the 2013/14 Council Tax base.

An explanation of the Formula,  $((H - Q + E + J) - Z) \times (F / G)$  and its key elements was detailed in the report.

The Local Government Finance Act 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.

Proposals in relation to Exemptions and Discounts for the forthcoming year had been considered and agreed by full Council at its meeting held on 24 January 2013. Specifically the changes that had been agreed were:

- Class A Exemption – Replacement of the exemption with a 100% discount resulting in no impact on Council Tax payers and no additional debit generated to collect;
- Class C Exemption – Application of a 100% discount for a period of 60 days with zero discount thereafter;
- Empty Homes 50% Discount – Reduction of this discount to zero; and,
- Second Home Discount – Reduction of the discount awarded from 10% to zero.

These changes had been reflected in the statutory Council Tax Base calculation for 2013/14.

The Local Council Tax Support scheme made a significant change to the calculation of the 2013/14 Council Tax Base. The 2013/14 Council Tax Base was based on the decision of full Council made in relation to the Local Council Tax Support Scheme at its meeting held on 30 January 2013. Council had agreed that the scheme adopted would reflect the support to working age claimants of up to 93% of their council tax liability.

The detailed Council Tax Base calculation for North Tyneside for 2013/14 was attached as Appendix A to the report, together with an explanation of the specific elements that formed part of the calculation. Within the calculation, adjustments, examples of which were detailed in the report, had been made to reflect the effect of exempt properties, disabled relief and discounts. Applying these adjustments had the effect of reducing the total number of properties to a common base for each band, in terms of full year equivalents.

The regulations ensured that the Council Tax Base for an area took into account the effect of disability reductions in respect of dwellings which fell 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 had not 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 was now charged five-ninths of the Band D charge. For the purpose of the Council Tax Base calculation it was now necessary to show Band A properties which qualified for a disabled reduction as if it were an additional valuation band. Deductions were then made for exempt dwellings and the estimated impact of the Council Tax Support scheme for 2013/14.

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

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 had been converted to their Band D equivalents, using the appropriate proportions.

The result of this calculation for 2013/14 was to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 53,762.

The next stage of the calculation involved making a deduction for the non-collection of Council Tax. This non-collection element of the calculation was made in respect of the amounts that were legally due, but which, for varying reasons, may not be collected. The assumed Council Tax collection rates for North Tyneside had 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 were detailed in the report.

A fundamental issue for the Council Tax Base calculation was 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 was proposed, in part due to the estimated impact of the Local Council Tax Support scheme, which was expected to reduce overall Council Tax collection. It was quite difficult to produce exact figures for the impact of the Local Council Tax Support scheme as this was a new scheme, so patterns of behaviour and collection were difficult to estimate. Factoring in the estimated impact of the Local Council Tax Support Scheme into the Council Tax Base, combined with the estimated impact of other Welfare Reform changes and the estimated impact on collection rates of changes to Exemptions and Discounts, produced an estimated reduction in the ultimate Council Tax collection rate from 99.20% to 98.50%.

It was therefore proposed that an ultimate Council Tax Collection Rate of 98.50% was set as part of the 2013/14 Council Tax Base calculation. This was felt prudent as the risk of setting a Council Tax collection rate too high was that this could result in a deficit position for the Collection Fund, which in turn would have to be funded by the Authority's General Fund. This calculation was reviewed on an annual basis, at which time the impact of the Local Council Tax Support scheme, changes to Exemptions and Discounts and other Welfare Reform changes on anticipated collection would be able to be more accurately assessed.

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

The resulting 2013/14 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu was 53,006. This equated to a reduction of 11,213 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.

Members were given the opportunity to ask questions which were responded to appropriately.

At this point it was queried whether the Formula was correct.

The meeting adjourned for 10 minutes for this to be checked.

On reconvening it was clarified that the ')' after 'J' should be removed and the formula should read  $((H - Q + E + J - Z) \times (F / G))$

The Mayor thanked everyone involved in producing the 2013/14 Council Tax Base for North Tyneside.

Cabinet considered the following decision options:

Option 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 changes to Exemptions and Discounts and the Local Council Tax Support scheme were decided by full Council at the meetings held on 24 January 2013 and 30 January 2013, respectively, then Option 1 is therefore:

Set the 2013/14 Council Tax Base for North Tyneside Council using a cumulative council tax collection rate of 98.50%. The changes to Exemptions and Discounts agreed at the Council meeting held on 24 January 2013; and, the Local Council Tax Support Scheme agreed at Council on 30 January 2013.

Option 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 explained in the report, the current collection rate of 99.20% was 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 2013/14. 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 £0.072m. The impact of different Council Tax collection rates was detailed in the report.

**Resolved** that the report on the calculation of North Tyneside's Council Tax Base for 2013/14, be approved and, in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 the amount calculated by North Tyneside Council as its Council Tax Base for 2013/14 shall be 53,006.

(Reason for decision - 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;
- Changes made in relation to Exemptions and Discounts; and,
- The wider impact of other Welfare Reform changes.

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 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.

The decision is based on the changes to Exemptions and Discounts agreed by full Council at its meeting on 24 January 2013 and the Local Council Tax Support Scheme adopted by full Council at its meeting on 30 January 2013.)

### **CAB188/01/13 Date and Time of Next Meeting**

6.00pm on Monday 11 February 2013

**Minutes published on Tuesday 5 February 2013.**