

North Tyneside Council Report to Cabinet 30 January 2014

ITEM 3

Calculation of the 2014/15
Council Tax Base for North
Tyneside Council

Portfolios: Finance

Cabinet Members: Cllr Ray Glindon

Report from: Finance and Commercial Services

Report Author: Fiona Rooney, Head of Finance and
Commercial Services

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Wards affected: All

1.1 Purpose:

1.1 The purpose of this report is to:

- (a) provide an explanation of how the North Tyneside Council Tax Base for 2014/15 has been calculated; and
- (b) seek approval from Cabinet for the calculation of the Authority's Council Tax Base for 2014/15, which has been calculated as 55,400 Band D equivalent properties.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) approves this report on the calculation of North Tyneside's Council Tax Base for 2014/15 and,
- (2) pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 agrees that the assumed Council tax collection rate for 2014/15 remains at 98.5% and therefore the amount calculated by North Tyneside Council as its Council Tax Base for 2014/15 shall be 55,400 Band D equivalent properties.

The above 2014/15 Council Tax Base calculation and recommendations are based on:

- No changes to existing Exemptions and Discounts being proposed for 2014/15, following the changes agreed for 2013/14 at full Council at 24 January 2013; and
- A continuation of the current Local Council Tax Support Scheme for 2014/15, based on the Council Tax Support for working age claimants being calculated on 93% of Council Tax liability, which is proposed in the report being considered by full Council at its meeting to be held on 23 January 2014.

Full Council, at its meeting on 23 January 2014 can propose and agree changes in relation to the Local Council Tax Support scheme. As this report needs to be published by 22 January 2014 to meet publication deadlines, then, any changes made by Full Council on 23 January 2014 which are different to the basis on which this report has been based, will require the re-calculation of the 2014/15 Council Tax Base included within this report by 30 January 2014, for consideration by Cabinet.

1.3 Forward plan:

This report was included in the Forward Plan for the period from 1 January 2014 to 30 April 2014.

1.4 Council plan and policy framework:

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

1.5 Information - 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, and reliefs.
- 1.5.2 The agreed Tax Base for North Tyneside Council for 2014/15 will be used in the 2014/15 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 (Police and Crime Commissioner for Northumbria 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 required that Local Authorities had to create a localised Council Tax Support Scheme with effect from 1 April 2013. Therefore, as with last year, for the calculation of the 2014/15 Council Tax Base, Council Tax Support takes the form of reductions.
- 1.5.4 The calculation of the 2014/15 Council Tax Base has been prepared in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, which came into force on 30 November 2012.
- 1.5.5 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.
- 1.5.6 Proposals in relation to Exemptions and Discounts were considered and agreed by full Council at its meeting held on 24 January 2013. Specifically the Exemptions and Discounts that were 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.
- 1.5.7 No further changes to exemptions and discounts have been proposed for 2014/15 so the statutory Council Tax Base Calculation for 2014/15 included within this report is based on changes to exemptions and discounts agreed at the full Council meeting held on 24 January 2013.

Local Council Tax Support Scheme

- 1.5.8 As noted previously, the Local Council Tax Support scheme makes a significant change to the calculation of the Council Tax Base. The 2014/15 Council Tax Base set out within this report is based on the assumption that there is no changes to the proposed North Tyneside Council Local Council Tax Support Scheme for 2014/15 to be agreed by full Council at its meeting to held on 23 January 2014. This is an unchanged scheme from 2013/14.

Tax Base Calculation for 2014/15

- 1.5.9 The detailed Council Tax Base calculation for North Tyneside for 2014/15 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 2014/15;
 - The estimated number of dwellings to be demolished during 2014/15;
 - The estimated number of dwellings where the liable person qualifies for a disabled reduction;
 - The estimated number of exempt dwellings during 2014/15;
 - The estimated impact of the Council Tax Support scheme in 2014/15; and, 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).
- 1.5.10 Applying the adjustments listed in paragraph 1.5.9 has the effect of reducing the total number of properties to a common base for each band, in terms of full year equivalents.
- 1.5.11 The Council Tax Base 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) 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 2014/15, as set out earlier within this report.
- 1.5.12 The above regulations also require that the Tax Base calculation is based on the position as at 30 November each year. The resulting 2014/15 Council Tax Base for North Tyneside Council is therefore slightly different to that used by the Department for Communities for Local Government (DCLG) as this information is calculated on an earlier date, which for 2014/15 is the position as at 9 September 2013.
- 1.5.13 In order to arrive at the Council Tax Base calculation for 2014/15, the number of dwellings 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 2014/15 is to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 56,193.

Table 1: Council Tax Band Proportions

Council Tax Band	Proportion of Band D
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%)

Assumed Council Tax Collection Rate

- 1.5.14 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

Year	Assumed North Tyneside Council Tax Collection Rate
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 & 2012/13	99.20%
2013/14	98.50%

- 1.5.15 A fundamental issue for the Council Tax Base calculation is the assumed percentage council tax collection rate to apply. As can be seen in Table 2 above, the authority's performance on council tax collection has been improving for many years, reaching a peak of 99.20% in setting the Council Tax base for 2012/13. However, for 2013/14 a lower collection rate of 98.50% was proposed and agreed. This lower rate was proposed last year for two main reasons:
1. To reflect the estimated impact of the Local Council Support scheme, and the estimated impact of other Welfare Reform changes. In the case of the Local Council Tax Support Scheme this was particularly due to the fact that this was a new scheme, so patterns of behaviour and collection were difficult to estimate.
 2. To factor in the estimated impact on collection rates of changes to Exemptions and Discounts agreed last year.
- 1.5.16 Current Council Tax collection in year performance for 2013/14 at the time of writing this report is worse by 0.9% compared with a similar stage this last year. This is only however an approximate indicator of the assumed council tax performance, given the significant time lag effect between in year and ultimate council tax collection performance. However, given current performance, which is expected to improve by the end of March 2014, then it is reasonable to make no change to the assumed council tax collection rate.
- 1.5.17 It is therefore **proposed that an assumed Council Tax Collection Rate of 98.50% is set as part of the 2014/15 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 Council Tax element of 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.
- 1.5.18 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 2014/15 this figure for North Tyneside Council which relates to Ministry of Defence properties is 50 Band D equivalent properties.

Resulting Council Tax Base Calculation for 2014/15

- 1.5.19 Last year, the changes due to the Local Council Tax support scheme, the number of properties on the valuation list, as well as changes to Exemptions and Discounts resulted in a net reduction in the North Tyneside Council Tax Base of 11,213 Band D equivalent properties compared with 2012/13, resulting in a 2013/14 Council Tax Base of 53,006 Band D equivalent properties.

1.5.20 The 2014/15 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu is 55,400 Band D equivalent properties. This equates to an increase of 2,394 Band D equivalent properties compared to 2013/14 figure. This change is due to a number of factors:

- There are an additional 262 properties in the valuation list compared with 2013/14.
- The number of exempt dwellings has also reduced by 122 properties due to the changes implemented in a shorter period of exemption being awarded for unoccupied and unfurnished properties.
- There are fewer single person discounts being awarded, following a review of all accounts in receipt of this discount and a reduction due to the removal of long term empty discounts.
- The most significant change is the impact on the Tax Base of the Localised Council Tax Support Scheme. The Tax Base for 2013/14 was based upon 23,500 Council Tax Benefit recipients moving across to the new Council Tax Support Scheme. Current figures show there are now only 22,400 properties being awarded Council Tax Support. This represents a drop of over 1,000 properties claiming this discount. Figures for 2013/14 were also based upon the most prudent approach assuming 100% relief being awarded to all pensionable age claimants and 93% to all working age claimants. The 2014/15 figures are based upon actual discount awarded under Council Tax Support as we now have a mechanism for converting actual cash amount of discount paid into Tax Base equivalent deductions. As many claimants do not get maximum support this has resulted in a further increase in the Council Tax Base.

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 assumed Council Tax collection rate each year, based on experience and actual / anticipated collection rates. Changes to Exemptions and Discounts and the Local Council Tax Support Scheme can also be made. However, changes to both Exemptions and Discounts and the Local Council Tax Support Scheme are a matter reserved as a decision for Council. Option 1 in this report is:

- Setting the 2014/15 Council Tax Base for North Tyneside Council using a assumed council tax collection rate of 98.50%;
- Noting the Exemptions and Discounts agreed at the Council meeting held on 24 January 2013; and,
- Noting the Local Council Tax Support Scheme proposed to be agreed at the full Council meeting to be held on 23 January 2014.

Option 2

- 1.6.2 The only available option for Cabinet following the setting of the Local Council Tax Support scheme by Full Council, are options for Cabinet to amend the assumed Council Tax collection rate. As noted earlier within this report, no further changes to Exemptions and Discounts are proposed for this year, and the current collection rate of 98.50% is proposed to remain unchanged for 2014/15. 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. The impact of different Council Tax collection rates are shown in Table 3 below. For 2014/15 each 0.1% change to the collection rate would change the Council Tax Base by approximately 56 Band D equivalent properties which would equate to a change in resources of approximately £0.074m.

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

Council Tax Collection Rate	Revised Council Tax Base for 2014/15	Change in Resources for 2014/15
98.30%	55,288	Reduction in Resources of £0.148m
98.40%	55,344	Reduction in Resources of £0.074m
98.50%	55,400 (Proposed)	No Change
98.60%	55,456	Increase in resources of £0.074m
98.70%	55,512	Increase in resources of £0.148m

1.7 Reasons for recommended option:

- 1.7.1 Option 1 is recommended for the following reasons:

Council Tax Collection Rate

The proposed 98.50% Council Tax collection rate, no change on the 2013/14 collection rate is felt to be prudent for the reasons set out in paragraph 1.5.16 of this report.

The risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Council Tax element of 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 2015/16.

(a) Exemptions and Discounts

The options set out within this report are based on the Exemptions and Discounts agreed by full Council at its meeting held on 24 January 2013.

(b) Local Council Tax Support Scheme

The options set out within this report are based on the assumption that full Council at its meeting to be held on 23 January 2014 will agree the proposed Local Council Tax Support Scheme.

1.8 Appendices:

Appendix A: Detailed Council Tax Base calculation for North Tyneside Council for 2014/15.

1.9 Contact officers:

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(Finance and Commercial Services).
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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.](#)
- (5) Local Council Tax Support Scheme – Report to Council – 23 January 2014.
[Report](#) ; [Appendix](#).

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

This report details the 2014/15 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 2014/15 is calculated by dividing the amount of council tax income required by the agreed 2014/15 Council Tax Base for North Tyneside. It is also used as the

basis for the major precepting authorities (Police and Crime Commissioner for Northumbria 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 produced a fundamental change to the Council Tax Base calculation. As with 2013/14, for the purposes of the 2014/15 Council Tax Base, Council Tax Support takes the form of reductions. As set out earlier within this report, this 2014/15 Tax Base calculation includes the impact of Exemptions and Discounts agreed at full Council on 24 January 2013 and the assumption that the proposed Local Council Tax Support scheme is agreed by full Council at its meeting held on 23 January 2014.

These regulations result in the proposed Council Tax Base calculation for 2014/15 which represents an increase of 2,394 Band D equivalents compared with 2013/14.

Current council tax collection performance, the estimated impact on collection rates of the Local Council Tax Support Scheme, other Welfare Reform changes and changes to Exemptions and Discounts have all been considered in determining the proposed assumed Council Tax collection rate for 2014/15 of 98.50%.

This 2014/15 Council Tax Base figure included within this report will be built into the 2014/15 final Council Tax Requirement and Budget proposals.

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 Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority during the period from 1 December to 31 January. Once the Tax Base for 2014/15 has been set, it cannot be altered after 31 January 2014.

The determination of the Council Tax Base is the responsibility of Cabinet in accordance with Section 67(2A) of the Local Government Finance Act 1992 as amended.

2.3 Consultation/community engagement

Internal consultation

- 2.3.1 Consultation on this report has taken place with the Cabinet Member for Finance. One of the key elements that determine the 2014/15 Council Tax Base Calculation, the proposed Local Council Tax Support scheme for 2014/15, has been the subject of a specific consultation in October 2013.

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 2014/15 Council Tax Base calculation is the changes to the Local Council Tax Support scheme, on which a specific consultation was carried out in October 2013.

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 2014/15.

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

- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager, Policy Partnerships, Performance And Communications