

# **Extraordinary Cabinet**

**30 January 2014**

**Present:** Mrs N Redfearn (Elected Mayor) (in the Chair),  
Councillors EN Darke, R Glindon, JLL Harrison, F Lott,  
CB Pickard, L Spillard and JJ Stirling.

## **CAB176/01/14 Apologies**

Apologies were received from Councillors JM Allan, CA Burdis and I Grayson.

## **CAB177/01/14 Declarations of Interest**

There were no declarations of interest or dispensations reported.

## **CAB178/01/14 Calculation of the 2014/15 Council Tax Base for North Tyneside Council (All Wards)**

Cabinet considered a report which provided an explanation of how the proposed North Tyneside Council Tax Base for 2014/15 had been calculated and requested approval of the calculation for 2014/15, which had been calculated as 53,006.

The Council Tax Base was an annual statutory calculation, used to determine the level of Council Tax for individual properties. The Tax Base represented the number of properties which would be subject to Council Tax, and which were expressed in terms of their Band D equivalents, after allowing for the effect of discounts and exemptions, and reliefs.

The agreed Tax Base for North Tyneside Council for 2014/15 would be used in the 2014/15 budget and Council Tax calculation. Further information in relation to this was detailed in the financial implications element of the report. The Tax Base was 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.

The Welfare Reform Act 2012 had 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 the previous year, for the calculation of the 2014/15 Council Tax Base, Council Tax Support took the form of reductions.

The calculation of the 2014/15 Council Tax Base had been prepared in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, which came into force on 30 November 2012.

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 could be made.

Proposals in relation to Exemptions and Discounts, which were detailed in the report, had been agreed by full Council at its meeting held on 24 January 2013. No further changes to exemptions and discounts have been proposed for 2014/15 so the statutory Council Tax Base Calculation for 2014/15 was based on changes to exemptions and discounts agreed at that meeting.

The Local Council Tax Support scheme made a significant change to the calculation of the Council Tax Base. The 2014/15 Council Tax Base, detailed in the report, had been based on the assumption that there would be no changes to the proposed North Tyneside Council Local Council Tax Support Scheme for 2014/15 to be considered by full Council at its meeting to be held on 23 January 2014. This was an unchanged scheme from 2013/14.

The detailed Council Tax Base calculation for North Tyneside for 2014/15 is 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 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 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 had not applied to Band A properties. Instead of paying the normal Band A charge (six-ninths of the Band D) a qualifying Band A property was now charged five-ninths of the Band D charge. For the purpose of the Council Tax Base calculation Band A properties which qualified for a disabled reduction had to be shown as if it was an additional valuation band. Deductions were then made for exempt dwellings and the estimated impact of the Council Tax Support scheme for 2014/15.

The regulations also required that the Tax Base calculation was based on the position as at 30 November each year. The resulting 2014/15 Council Tax Base for North Tyneside Council was therefore slightly different to that used by the Department for Communities for Local Government (DCLG) as this information was calculated on an earlier date, which for 2014/15 was the position as at 9 September 2013.

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 had been converted to their Band D equivalents, using the appropriate proportions. The result of this calculation for 2014/15 was to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 56,193.

The next stage of the Council Tax Base 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 assumed percentage council tax collection rate to apply. The Authority's performance on council tax collection had 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% had been proposed and agreed.

This lower rate was proposed for two main reasons:

- (i) 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.
- (ii) To factor in the estimated impact on collection rates of changes to Exemptions and Discounts agreed last year.

Current Council Tax collection in year performance for 2013/14 at the time of writing the report was worse by 0.9% compared with a similar stage in the previous year. This was only an approximate indicator of the assumed council tax performance, given the significant time lag effect between in year and ultimate council tax collection performance. Given current performance, which was expected to improve by the end of March 2014, it was reasonable to make no change to the assumed council tax collection rate.

It was proposed that an assumed Council Tax Collection Rate of 98.50% was set as part of the 2014/15 Council Tax Base calculation. This was felt prudent as the risk of setting a Council Tax collection rate too high was that it could result in a deficit position for the Council Tax element of the Collection Fund, which in turn would have to be funded by the Council's General Fund. This calculation was reviewed on an annual basis.

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 2014/15 this figure for North Tyneside Council which related to Ministry of Defence properties was 50 Band D equivalent properties.

For 2013/14, 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 had 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.

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

- an additional 262 properties in the valuation list compared with 2013/14.
- the number of exempt dwellings had also reduced by 122 properties due to the changes implemented in a shorter period of exemption being awarded for unoccupied and unfurnished properties.
- 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 impact on the Tax Base of the Localised Council Tax Support Scheme. The Tax Base for 2013/14 had been based upon 23,500 Council Tax Benefit recipients moving across to the new Council Tax Support Scheme. Current figures showed there were now only 22,400 properties being awarded Council Tax Support. This represented a drop of over 1,000 properties claiming this discount.

Figures for 2013/14 had also been 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 were based upon actual discount awarded under Council Tax Support as there was now a mechanism for converting actual cash amount of discount paid into Tax Base equivalent deductions. As many claimants did not get maximum support this had resulted in a further increase in the Council Tax Base.

The Mayor and Cabinet Member for Finance thanked everyone involved in producing the 2014/15 Council Tax Base for North Tyneside

Cabinet considered the following decision options:

Option 1 – Whilst the annual Council Tax Base calculation was a statutory calculation, there was 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 could also be made. However, changes to both Exemptions and Discounts and the Local Council Tax Support Scheme were a matter reserved as a decision for Council. Therefore, Option 1 was to:

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

Option 2 – The only available option for Cabinet following the setting of the Local Council Tax Support scheme by Full Council, were options for Cabinet to amend the assumed Council Tax collection rate. As explained in the report, no further changes to Exemptions and Discounts were proposed and the current collection rate of 98.50% was 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. 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. 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 2014/15, 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 2014/15 shall be 55,400 Band D equivalent properties.

(Reason for decision – The proposed 98.50% Council Tax collection rate, no change on the 2013/14 collection rate is felt to be prudent for the reasons detailed in the 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.

The options set out in the report are based on the Exemptions and Discounts agreed by full Council at its meeting held on 24 January 2013 (Minute C117/01/13 refers).

The options set out in this report are based on the Local Council Tax Support Scheme approved by full Council at its meeting held on 23 January 2014 (Minute C106/01/14 refers.)

**CAB179/01/14 Date and Time of Next Meeting**

6.00pm on Monday 10 February 2014 (Ordinary Meeting)

6.00pm on Monday 24 February 2014 (Extraordinary Meeting)(If required)

**Minutes published on Tuesday 4 February 2014.**