

North Tyneside Council Report to Cabinet 28 January 2015

ITEM 3

Calculation of the 2015/16
Council Tax Base for North
Tyneside Council

Portfolios: Finance & Resources

Cabinet Member: Cllr Ray Glendon

Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Strategic Manager Finance (Tel: 643 5701)

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 2015/16 has been calculated; and
- (b) seek approval from Cabinet for the calculation of the Authority's Council Tax Base for 2015/16, which has been calculated as 56,424 Band D equivalent properties.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) note the content of this report on the calculation of the North Tyneside Council Tax Base for 2015/16; and,
- (2) Agree the assumed Council Tax collection rate for 2015/16 remains at 98.50% and as a result the amount calculated by North Tyneside Council as its Council Tax Base for 2015/16 shall be 56,424 Band D equivalent properties.

The above 2015/16 Council Tax Base calculation and recommendations are based on the agreement of full Council at the meeting on 22 January 2015 to:

- The changes to existing “Discounts” being proposed for 2015/16; and,
- A continuation of the current Council Tax Support Scheme for 2015/16, based on the Council Tax Support for working age claimants being calculated on 93% of Council Tax liability.

Any changes to these assumptions arising from the decision of full Council on 22 January 2015 will be addressed in a Supplementary Report to Cabinet.

1.3 Forward plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 8 December 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, exemptions, and reliefs.
- 1.5.2 The agreed Tax Base for North Tyneside Council for 2015/16 will be used in the 2015/16 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 the last two years, for the calculation of the 2015/16 Council Tax Base, Council Tax Support takes the form of reductions.
- 1.5.4 The calculation of the 2015/16 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 Changes proposed in relation to Exemptions and Discounts for 2013/14 were considered and agreed by full Council at its meeting held on 24 January 2013. Specifically the Exemptions and Discounts that were agreed were:
- Former Class A Exemption (unoccupied and unfurnished properties which are in need of or undergoing major repairs or structural alteration). The decision was taken to replace the previous 100% exemption with a 100% discount resulting in no impact on Council Tax payers and no additional debit created to collect.
 - Former Class C Exemption (An unoccupied and unfurnished property.) The decision was taken to replace the 100% exemption for 6 months with a 100% discount for 2 months.
 - Empty Homes 50% Longer Term Empty Discount (This applied after the maximum 6 month empty exemption ceased). The decision was made to remove this discount entirely.
 - Second Home Discount (this is where a second furnished property may be owned but not occupied). The decision was made to reduce the level of discount awarded from 10% to nil.
- 1.5.7 No further changes were proposed for 2014/15 but further changes to Council Tax discounts have been proposed for 2015/16 to be agreed at the full Council meeting held on 22 January 2015. The proposed changes are:
- 1) For those meeting the criteria for former Class A properties - reduce the current level of 100% discount for 1 year to 50% discount for 1 year.
 - 2) For those meeting the criteria of former Class C properties – reduce the current 100% level of discount for 2 months to 50% discount for 2 months.

1.5.8 As noted previously, the Council Tax Support scheme makes a significant change to the calculation of the Council Tax Base. The 2015/16 Council Tax Base set out within this report is based on the assumption that there are no changes to the proposed North Tyneside Council Local Council Tax Support Scheme for 2015/16 to be agreed by full Council at its meeting to held on 22 January 2015. This is an unchanged scheme from 2014/15.

Tax Base Calculation for 2015/16

1.5.9 The detailed Council Tax Base calculation for North Tyneside for 2015/16 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 2015/16;
- The estimated number of dwellings to be demolished during 2015/16;
- The estimated number of dwellings where the liable person qualifies for a disabled reduction;
- The estimated number of exempt dwellings during 2015/16; and,
- The estimated impact of the Council Tax Support scheme in 2015/16; and, the estimated number of dwellings where the liable person qualifies for a discount (25% for single person households and 50% for non single person occupiers).

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 2015/16, 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 2015/16 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 2015/16 is the position as at 8 September 2014.
- 1.5.13 In order to arrive at the Council Tax Base calculation for 2015/16, 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 2015/16 is to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 57,232.

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 & 2014/15	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 and 2014/15 a lower collection rate of 98.50% was proposed and agreed. This lower rate of 98.50% was set to reflect the estimated impact of the Council Tax Support Scheme, the estimated impact of other Welfare Reform changes and changes to Exemptions and Discounts applied from 2013/14.
- 1.5.16 While Council Tax collection remains strong, in year Council Tax collection fell from 96.9% in 2012/13 to 96.5% in 2013/14. Council Tax collection is currently forecast to be on target for 2014/15. 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.
- 1.5.17 Having considered various issues in relation to the collection rate for 2015/16, namely:
- 1) Current Council tax collection rates.
 - 2) The estimated impact of the Council Tax Support Scheme.
 - 3) The estimated impact of other Welfare Reform changes.
 - 4) The impact of previous changes to Exemptions and Discounts.
 - 5) The potential impact of the new proposed changes to Discounts from April 2015

It is **proposed that an assumed Council Tax Collection Rate of 98.50% is set as part of the 2015/16 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 Authority'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 2015/16 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 2015/16

- 1.5.19 The 2015/16 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu is 56,424 Band D equivalent properties. This equates to an increase of 1,024 Band D equivalent properties compared to 2014/15 figure. This change is due to a number of factors:
- There are an additional 413 properties in the valuation list compared with 2014/15.
 - The Council Tax Support Scheme continues to impact on the Tax base calculation for 2015/16.
 - The majority of the balance is accounted for by the changes being proposed to Discounts from April 2015.

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, which as noted earlier in this report will take place on 22 January 2015. Option 1 in this report is:
- Setting the 2015/16 Council Tax Base for North Tyneside Council using an assumed Council Tax collection rate of 98.50%;
 - Noting the changes to Discounts proposed to be agreed at the full Council meeting to be held on 22 January 2015 and,
 - Noting the Council Tax Support Scheme proposed to be agreed at the full Council meeting to be held on 22 January 2015.

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, the current collection rate of 98.50% is proposed to remain unchanged for 2015/16. 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 2015/16 each 0.1% change to the collection rate would change the Council Tax Base by approximately 57 Band D equivalent properties which would equate to a change in resources of approximately £0.076m.

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

Council Tax Collection Rate	Revised Council Tax Base for 2015/16	Change in Resources for 2015/16
98.30%	56,309	Reduction in resources of £0.152 million
98.40%	56,366	Reduction in resources of £0.076 million
98.50%	56,424 (Proposed)	No Change
98.60%	56,481	Increase in resources of £0.076 million
98.70%	56,538	Increase in resources of £0.152 million

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 2014/15 collection rate is felt to be prudent for the reasons set out in paragraph 1.5.17 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 2016/17.

(a) Discounts

The options set out within this report are based on the proposed changes to Discounts to be agreed by full Council at its meeting held on 22 January 2015.

(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 22 January 2015 will agree the Local Council Tax Support Scheme.

1.8 Appendices:

Appendix A: Detailed Council Tax Base calculation for North Tyneside Council for 2015/16.

1.9 Contact officers:

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Tel (0191) 643 5716

Andrew Scott, Senior Client Manager Revenues, Benefits & Customer Services, Finance Service. Tel (0191) 643 7150

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) Council Tax Support Scheme 2015/16 – Report to Council – 22 January 2015
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=558127
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=558128
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=558129
- (6) Council Tax Discounts from April 2015 – Report to Council – 22 January 2015
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=558130
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=558131
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=558132

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

This report details the 2015/16 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 2015/16 is calculated by dividing the amount of Council Tax income required by the agreed 2015/16 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 2014/15, for the purposes of the 2015/16 Council Tax Base, Council Tax Support takes the form of reductions. As set out earlier within this report, this 2015/16 Tax Base calculation is based on the fact that the proposed changes to Discounts and the Council Tax Support scheme will be agreed by full Council at its meeting held on 22 January 2015.

These regulations result in the proposed Council Tax Base calculation for 2015/16 which represents an increase of 1,024 Band D equivalents compared with 2014/15.

The items noted in paragraph 1.5.17 of this report have all been considered in determining the proposed assumed Council Tax collection rate for 2015/16 of 98.50%.

This 2015/16 Council Tax Base figure included within this report will be built into the 2015/16 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 2015/16 has been set, it cannot be altered after 31 January 2015.

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

Consultation on this report has taken place with the Cabinet Member for Finance and Resources. Two of the key elements that determine the 2015/16 Council Tax Base Calculation, namely the proposed Council Tax Support scheme for 2015/16, and changes to Discounts have both been the subject of specific consultations. These consultations both took place from 14 October 2014 to 9 November 2014. The results of these two consultations are set out within the specific reports on these issues which are being considered by full Council at its meeting to be held on 22 January 2015.

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. In relation to some of the component aspects of the 2015/16 Council Taxbase calculation, namely changes to Discounts and the Council Tax Support scheme:

Council Tax Discounts from April 2015

An equality impact assessment was carried out when reducing the empty property discounts in 2013/14. The impact assessment did not identify any protected equality groups that would be disproportionately disadvantaged by the reduction in discounts implemented, as the changes are property based and are not linked in any way to the protected equality groups. The changes recommended in this report are again property based and not linked to the protected equality groups.

Council Tax Support Scheme

An equality impact assessment was carried out on the Scheme in 2012 for 2013/14. No impact assessment was required on the scheme in 2014/15 as there were no changes made, and the same applies to the proposed 2015/16 Council Tax Support scheme.

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 2015/16.

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

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy