

North Tyneside Council Report to Council Date: 26 January 2012

ITEM 8

Title: Calculation of the
2012/13 Council Tax Base for
North Tyneside Council

Portfolio(s): Finance Housing	Cabinet Member(s): Cllr Judith Wallace Cllr Paul Mason
Report from Directorate: Finance and Resources	
Report Author: Fiona Rooney, Strategic Director of Finance and Resources	Tel: 643 5724
Wards affected: All	

PART 1

1.1 Purpose:

The purpose of this report is to:

- (a) Provide an explanation of how the North Tyneside Council Tax Base for 2012/13 has been calculated; and,
- (b) Seek approval from full Council for the calculation of the Authority's Council Tax Base for 2012/13, which has been calculated as 64,219.

1.2 Recommendation(s):

It is recommended that Council:

- (1) Approve this report on the calculation of North Tyneside's Council Tax Base for 2012/13, which incorporates the council tax second homes discount set at 10% as confirmed as part of the 2011/12 Tax Base calculation; and,
- (2) Pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003, agree that the amount calculated by North Tyneside Council as its Council Tax Base for 2012/13 shall be **64,219**.

1.3 Forward plan:

This report appears on the Forward Plan for the period from 1 December 2011 to 31 March 2012.

1.4 Council plan and policy framework:

This report relates to the following Council Strategic Plan priority for 2011/12:

- Our Resources.

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.
- 1.5.2 The agreed Tax Base for North Tyneside Council for 2012/13 will be used in the 2012/13 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.

Council Tax Second Home Discounts

- 1.5.3 The Local Government Act 2003 gave local authorities certain discretionary powers to reduce the level of council tax discount on second homes and long term empty properties and vary the discounts offered.
- 1.5.4 North Tyneside Council first used the powers under the Local Government Act 2003 in setting the Council Tax Base for 2005/06 on 27 January 2005. The second homes discount was set at 10% at that meeting. This rate has been re-affirmed by Council in setting the Tax Bases for each year from 2006/07 onwards with the 2011/12 figure being confirmed by Council on 20 January 2011. Further information in respect of the council tax second homes discount is contained in section 1.6 of this report.

Long Term Empty Property Discounts

- 1.5.5. The Local Government Act 2003 also provides discretion for the discount for long term empty properties to be reduced to any figure between 50% and 0%. North Tyneside Council has not previously adopted any changes to the current 50% discount in this area, because the Council would not retain the additional income raised as a consequence of reducing this discount at the present time. The New Homes Bonus scheme commenced in April 2011 and will match fund the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes, for the following six years. There is however still the discretion for the 50% discount to be amended at any rate down to 0%. Council may take the view that reducing the level of discount awarded could act as an incentive to council tax payers to bring their properties back into use. Council should note that taking this option would impact

on the Housing Revenue Account by increasing the amount of council tax paid by the Council as the landlord for those empty properties. Further information in respect of long term empty property discounts is contained in section 1.6 of this report. Due to the uncertainty and potential loss of income, this doesn't form part of the recommendation to Council.

Tax Base Calculation for 2012/13

- 1.5.6 The detailed Council Tax Base calculation for North Tyneside for 2012/13 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 2012/13;
 - The estimated number of dwellings to be demolished during 2012/13;
 - The estimated number of dwellings where the liable person qualifies for a disabled reduction;
 - The estimated number of exempt dwellings during 2012/13;
 - 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.
- 1.5.7 Applying the adjustments listed in paragraph 1.5.6 has the effect of reducing the total number of properties to a common base for each band, in terms of full year equivalents.
- 1.5.8 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.
- 1.5.9 The above regulations also require that the Tax Base calculation is based on the position as at 30 November each year. The resulting 2012/13 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 2012/13 is the position as at 4 October 2011.
- 1.5.10 In order to arrive at the Council Tax Base calculation for 2012/13, 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 2012/13 is to produce a total number of

properties prior to an allowance for non-collection and contributions in lieu of 64,687.

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%)

- 1.5.11 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	99.20%

- 1.5.12 For 2012/13 it is recommended that a collection rate of 99.20% should be applied, in accordance with what was agreed by Council in setting the Council Tax Base for 2011/12 on 20 January 2011. However, given a combination of the current economic conditions and the average council tax collection rate an ultimate council tax collection rate of 99.20% is not without risk. 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. Further information in relation to this is set out in paragraphs 1.5.15 and 1.5.16.

- 1.5.13 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 2012/13 this figure for North Tyneside Council which relates to Ministry of Defence properties is 50 Band D equivalent properties.
- 1.5.14 The resulting 2012/13 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu is 64,219. This equates to an increase of 72 in the number of Band D equivalent properties compared to 2011/12.

Cumulative Council Tax Collection Rate

- 1.5.15 A fundamental issue for the Council Tax Base calculation is the cumulative percentage council tax collection rate to apply. As noted in paragraph 1.5.12, it is not proposed to amend the current council tax collection rate of 99.20% for this year's Council Tax Base calculation, which was set by Council in setting the 2011/12 Tax Base. In arriving at this conclusion, we have considered current council tax collection rates and have also taken into account the significant time lag between the in-year council tax collection rate and what we will ultimately collect for any particular year's council tax. The collection rate is actually built up over many years, (i.e. the tax is collected not just in the year for which it applies, but collection continues in the following years).
- 1.5.16 Therefore, given the estimated council tax collection for 2011/12, the time-lag effect and the fact that the collection rate is reviewed annually as part of the Council Tax Base calculation, the current 99.20% collection rate will also be applied for 2012/13. However, as noted previously an ultimate council tax collection rate of 99.20% is not without risk. 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.

Current Government Consultation

- 1.5.17 On 31 October 2011, the Government issued a Consultation paper "Technical Reforms of Council Tax", with a closing date for consultation responses of 29 December 2011. This consultation outlined the Government's suggested proposals for future technical amendments to council tax. These proposals at this stage include for example:
- Giving billing authorities the power to levy up to full council tax on second homes
 - Replacing existing Class A and C exemptions for vacant homes with discounts of up to 100%, the amount of which it would be for billing authorities to determine
 - Allow billing authorities to levy an 'empty homes premium' over and above full council tax liability in respect of dwellings which have been left empty for two years or more

- 1.5.18 A response to the consultation has been submitted. Members are advised that this current ongoing consultation will have no impact on the calculation of the 2012/13 Council Tax Base. These proposals, as they are revised through the Consultation process and / or through necessary changes in legislation will come into effect from 1 April 2013. As such, they are highly likely to impact on the calculation of the 2013/14 Council Tax Base.

1.6 Decision options:

The following decision options are available for consideration by Council:

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. The Local Government Act 2003 also provides discretion to adjust the second homes discount and the discounts available for long term empty properties in setting the Council Tax Base for a particular year. Option 1 consists of the calculations as set out in this report and includes:
- Setting the 2012/13 Council Tax Base for North Tyneside Council using a cumulative council tax collection rate of 99.20%;
 - Maintaining the current second homes discount at 10%, in accordance with previous Council decisions on the Council Tax Base; and,
 - Maintaining the long term empty property discount at 50%, also in accordance with previous Council decisions on the Council Tax Base.

Option 2

- 1.6.2 Within the Council Tax Base calculation, there are options for Council to amend the council tax collection rate, and to re-consider the Council Tax second homes discount as well as the long term empty property discount. Council could choose to amend each or all of these elements:

(a) Council Tax Collection Rate

There is discretion for Council to propose to amend the current council tax collection rate of 99.20%, though as noted earlier in the report, a collection rate at this level is not without risk. 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. Given the combination of current economic conditions and the average council tax collection rate, it would be inadvisable to set a collection rate greater than 99.20%. 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 2012/13 each 0.1% change to the collection rate would change the Council Tax Base by approximately 65 Band D equivalent properties which would equate to a change in resources of approximately £0.086m.

Table 3: Impact of Changing the Council Tax Collection Rate

Council Tax Collection Rate	Revised Council Tax Base for 2012/13	Reduction in Resources for 2012/13
99.10%	64,154	£0.086m
99.15%	64,187	£0.043m
99.20%	64,219 (No Change)	No Change

(b) Second Homes Discount

There is an option for Council to re-consider the council tax second homes discount in setting the Council Tax Base for 2012/13. The current rate of 10% was agreed by Council in setting the Council Tax Base for 2005/06 on 27 January 2005. Discretion exists to amend this rate from the current 10% up to a maximum of 50%. The impact on the 2012/13 Council Tax Base of setting the rates at different percentages are set out in Table 4 below:

Table 4: Impact of Changing the Level of the Second Homes Discount

Level of Second Homes Discount	Revised Council Tax Base for 2012/13	Reduction in Resources for 2012/13
10% (Currently)	64,219 (No Change)	No Change
20%	64,182	£0.051m
30%	64,145	£0.098m
40%	64,107	£0.149m
50%	64,069	£0.199m

The financial impact of making any change to the current 10% second homes discount would be to reduce the available financial resources to the Council in setting the 2012/13 Budget. For example, restoring the Council Tax Base second homes discount to 50% would result in a revised 2012/13 Council Tax Base of 64,069 which would result in available resources being reduced by approximately £0.199m.

(c) Long Term Empty Property Discount

There is also the option for Council to re-consider the long term empty property discount. North Tyneside Council has not previously adopted any changes to the current 50% discount in this area, because the Council would not retain the additional income raised as a consequence of reducing this discount at the present time. The New Homes Bonus scheme commenced in April 2011 and will match fund the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes, for the following six years. There is however still the discretion for the 50% discount to be amended at any rate down to 0%. Council may take the view that reducing the level of discount awarded could act as an incentive to council tax payers to bring their properties back into use. Council is further advised that taking this option would impact on the Housing Revenue Account by increasing the amount of council tax paid by the Council as the landlord for those empty properties.

For illustrative purposes the impact on the 2012/13 Council Tax Base of setting the long term empty property discounts at different percentages are set out in Table 5

below. These calculations assume that the current second homes discount remains at 10%:

Table 5: Impact of Changing the Long Term Empty Property Discount

Level of Long Term Empty Property Discount	Revised Council Tax Base for 2012/13
50% (Currently)	64,219 (No Change)
40%	64,315
30%	64,411
20%	64,506
10%	64,601
0%	64,697

Option 1 is the recommended option.

1.7 Reasons for recommended option:

1.7.1 Option 1 is recommended for the following reasons:

(a) Council Tax Collection Rate

The proposed 99.20% council tax collection rate was agreed by Council as part of setting the 2011/12 Council Tax Base on 20 January 2011. This still appears to be the most reasonable rate to apply at this stage, though a collection rate at this level is not without risk. 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. We have considered current council tax collection rates and have also taken into account the significant time lag between the in-year council tax collection rate and what we will ultimately collect for any particular year's council tax. In addition, this collection rate is reviewed as part of the annual Council Tax Base calculation, and the 99.20% collection rate will be reviewed in determining the Council Tax Base for 2013/14.

(b) Second Homes Discount

The 10% council tax second homes discount has been proposed as the preferred option because it accords with the previous decision of Council in 2005/06 to reduce the rate from 50% down to 10%, and with subsequent decisions made by Council in setting the Council Tax Bases for each year from 2006/07 onwards.

(c) Long Term Empty Property Discount

The 50% long term empty property discount has also been proposed because it is consistent with previous decisions made by Council, and also because the Council would not retain any of the additional income raised as a consequence of reducing this discount at the present time. The New Homes Bonus scheme commenced in April 2011 and will match fund the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes, for the following six years. There is however still the discretion for the 50% discount to be amended at any rate down to 0%. Council may take the view that reducing the level of discount awarded could act as an incentive to council tax payers to bring their properties back into use. Council is further advised that taking this option would impact on the Housing Revenue Account by increasing

the amount of council tax paid by the Council as the landlord for those empty properties.

1.8 Appendices:

Appendix A: Detailed Council Tax Base calculation for North Tyneside Council for 2012/13.

1.9 Contact officers:

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1.10 Background information:

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

- (1) Supplementary CTB 1 form – Calculation of Council Tax Base for Revenue Support Grant Purposes for 2012/13 (30 November 2011).
- (2) Local Authorities (Calculation of Council Tax Base (Amendment) (England) Regulations 2003.
- (3) Local Government Act 2003.
- (4) Technical Reforms of Council Tax, CLG Consultation, 31 October 2011.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

This report details the 2012/13 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 2012/13 is calculated by dividing the amount of council tax income required by the agreed 2012/13 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.

2.2 Legal

Under the Local Government Finance Act 1992, (the 1992 Act), Billing Authorities are 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 2012/13 has been set, it cannot be altered after 31 January 2012. In addition, the 2003 Local Government Act amended the 1992 Act to include powers to allow billing authorities to reduce the level of council tax discount granted on long term empty and second homes and also allow authorities to reduce the council tax payable on an individual and / or class of dwelling.

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. In addition, Briefings were held with Political Group Leaders and Deputy Leaders on 12 January 2012, 16 January 2012 and 17 January 2012.

External Consultation/Engagement

- 2.3.2 No external consultation was undertaken as part of this report, as this is a statutory calculation.

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 2012/13.

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 Director with responsibility for Community Engagement