

CABINET

5 December 2012

COUNCIL TAX BASE 2013/2014

REPORT OF HEAD OF REVENUES

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RECENT REFERENCES:

CAB2254 – Council Tax Base 2012/13, 7 December 2011

CAB2415 – Localisation of Council Tax Support and Council Tax Changes, 5 December 2011

EXECUTIVE SUMMARY:

The Council is required to approve the Council Tax Base figure for 2013/2014 by 31 January 2013. The Council Tax Base figure is an integral part of the calculations for setting the level of Council Tax, and is the number of chargeable properties adjusted for certain factors, e.g. single persons' discounts, exemptions etc. This report sets out the factors and the calculations used to arrive at the Council Tax Base for 2013/2014.

Council Tax Benefit will be abolished from 1 April 2013 and replaced with the Council Tax Support scheme. Due to this change an adjustment is required to the Council Tax Base figure to reflect the level of Council Tax Support awarded.

A number of technical reforms were introduced by the Government for Council Tax which allows the Council to reduce the level of exemptions / discounts awarded for second homes and empty properties. The Council at its meeting on 9 January 2013 will be asked to implement some of these changes. In order to reflect the reduction in certain exemptions / discounts further adjustments have been made to the Council Tax Base figure. (Report CAB2415 elsewhere on this agenda refers).

This report includes a draft Council Tax Base calculation. Further work will be completed when relevant regulations are received and Central Government has clarified the position regarding the impact of Council Tax Support on the parish and Winchester Town Tax Base.

**RECOMMENDATIONS:**

1. That Cabinet notes the draft Council Tax Base calculations contained in this report.
2. That officers be instructed to prepare an updated report to present a resolution to Council containing the final Council Tax Base calculation once the relevant regulations have been published and to take account of Cabinet's consideration of Report CAB2415 elsewhere on this agenda.

**That Cabinet recommend to Council:-**

3. That the Scheme of Delegation to Officers (as set out in Part 3, Section 6 of the Council's Constitution) be amended to enable approval of the Council Tax Base in future years to be delegated to the Head of Finance in consultation with the Head of Revenues.

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### COUNCIL TAX BASE 2013/2014

### REPORT OF HEAD OF REVENUES

#### DETAIL:

#### 1 Introduction

2 Section 67(2) of the Local Government Finance Act 1992 was amended by section 84 of the Local Government Act 2003 so that the adoption of the Council Tax Base was no longer required to be undertaken by a full Council meeting. However, it did not allow the decision to be made by Cabinet alone, and if Members make the decision it is necessary to have a politically balanced committee established for the purpose. For this reason no changes were made in 2003/4 and Council continued to receive the report. However, under the current initiative to streamline decision-making processes, the issue has been re-visited. An alternative would be to treat the matter as a technical calculation and delegate it to officers. It is therefore requested that Cabinet recommend to Council that the Scheme of Delegation to Officers (as set out in Part 3, Section 6 of the Council's Constitution) be amended to enable approval of the Council Tax Base in future years to be delegated to the Head of Finance in consultation with the Head of Revenues.

2.1 The Council Tax Base is one of the elements of the calculations concerned with setting the Council Tax. The tax base has to be approved before 31 January 2013. This report sets out the various factors which have to be taken into account, and provides the calculations as specified in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, to arrive at the tax base for 2013/2014. Please note that at present these regulations are still draft.

#### 3 Tax Base

3.1 The starting point for calculating the tax base is the number of chargeable properties within the District. Adjustments are made for single person discounts, properties eligible for two discounts, properties where a disabled person's reduction is applicable, properties that are exempt and Ministry of Defence properties.

3.2 With effect from 1 April 2013 the Council is being asked to consider the adoption of a number of technical reforms to Council Tax exemptions and discounts. Also, the current Council Tax Benefit scheme will be replaced with a Council Tax Support (CTS) scheme. The new CTS scheme will take the form of a Council Tax discount. Detail of the Council Tax reforms and CTS

scheme, together with information on the consultation process and the decisions made on the specific level of new discounts and CTS is included in CAB 2415 – Localisation of Council Tax Support and Council Tax Changes elsewhere on the agenda.

- 3.3 In summary, Cabinet is being asked to approve the following recommendations to Council:
- a) to replace the previous six month 100% Class C exemption for vacant properties with a 100% discount for 1 month
  - b) to reduce the 10% second home discount to 0%
  - c) base the new CTS scheme on the existing Council Tax Benefit scheme but increase income disregards for working age claimants
- 3.4 The effect of the change from a 100% exemption for 6 months to a 100% discount for 1 month also eliminates the subsequent 50% discount that currently follows on from the Class C exemption.
- 3.5 All of these changes have been reflected in the total 2013/14 Council Tax Base. The effect of amending exemptions and discounts produces an increase on the tax base. For this Council, all major preceptors and parishes, the net effect of the increase is 664.24 band D equivalent dwellings. The effect of including CTS produces a decrease on the tax base of 3,799.16 band D equivalent dwellings. The overall reduction on the tax base is 3,134.92. However, the Council will receive CTS funding which is estimated to slightly exceed the monetary value of this reduction.

#### 4 Allowances Applied

##### 4.1 Discounts, Exemptions and Disabled Reductions

- a) There are currently 14,787 taxpayers entitled to a 25% discount, 490 taxpayers entitled to a 50% discount and 467 taxpayers entitled to a 10% discount. However, due to the technical reforms for Council Tax referred to in para 3.3 above the 50% discounts will reduce to 74, the 467 10% discounts will be deleted and 223.86 new 100% discounts for 1 month will be added.
- b) There are currently 2,268.67 properties exempt from Council Tax. However, due to the technical reforms for Council Tax referred to in para 3.3 above the removal of the Class C exemptions for vacant properties will reduce the total exemptions to 1,629.30. Of those properties, 426 are Ministry of Defence (MOD). Although exempt the MOD do pay a contribution in lieu of the Council Tax payable had the property been in private ownership.

- c) Disabled reductions have been granted on 199 properties. These properties are billed at one band below that which is shown in the valuation list.

#### 4 New/Altered Dwellings

- 4.1 An analysis of new and altered dwellings which it is estimated are likely to be completed prior to 31 March 2014 shows that approximately 0.37% of the total tax base is attributable to new properties. Given the current economic climate a cautious approach has been taken in estimating the number of new properties.
- 4.2 In addition it has been assumed that 30% of any new properties will receive a 25% discount and 4% will receive a 1 month discount of 100%.
- 4.3 Two years ago the 'New Homes Bonus' scheme was introduced. The aim of the scheme was to 'create a powerful, simple, transparent and permanent incentive which rewards local authorities that deliver sustainable housing development'.
- 4.3.1 The calculation of the Bonus is based on the information supplied annually to CLG on the Council Tax Base form used for formulae grant purposes. This information is based on the actual number of properties at a specified date and is not the estimate used in this report for calculating the Council Tax Base for the purpose of setting the Council Tax. The calculation will also use CLG official statistics on gross additional affordable housing supply.

#### 5 Calculation of the Tax Base

- 5.1 The tax base is calculated by applying the formula: -

A x B, where

A. is defined as "the total of the relevant amounts for that year for each of the valuation bands which is shown or is likely to be shown for any day in that year in the authority's valuation list as applicable to one or more dwellings situated in its area", i.e. the number of chargeable dwellings with certain adjustments.

B. is the authority's estimate of its collection rate for that year.

- 5.2 The calculation for the relevant amounts for the year, beginning 1 April 2013 is shown as Appendix A.
- 5.3 An estimate of the collection rate has been made in previous years of 98.6%. Collection for the current year is on target and with this in mind it is proposed to keep the rate the same.
- 5.4 Appendix A shows the total of the relevant amounts (total Band D equivalent) is 45,670.83. The estimate of the collection rate is 98.6% in line with the

current year. As outlined in paragraph 3.1 although exempt the MOD do pay a contribution in lieu equal to the full tax payable. Therefore the MOD contribution will be 100% of the charge due, the Band D equivalent of the MOD properties is added to the tax base after the collection rate of 98.6% is taken into account.

The tax base is therefore 45,670.83 x 0.986	=	45,031.44
<u>Add</u> Band D equivalent of MOD properties	=	<u>351.08</u>
<b>TOTAL TAX BASE</b>	<b>=</b>	<b>45,382.52</b>

For information the 2012/2013 tax base was 48,323.83. As explained in para 3.5 this large reduction in the tax base is reflecting the changes to Council Tax discounts and exemptions and the inclusion of CTS for 2013/2014 which was not included in 2012/2013. However, it is estimated that funding slightly exceeding the overall monetary value of the reduction in tax base will be received from Central Government in payment for the CTS scheme.

## 6 Parishes and Winchester Town

- 6.1 The relevant amounts have not been calculated/estimated for each part of the area and the individual tax base has not been calculated at this stage. This work will be completed when Central Government clarifies the position regarding the impact of Council Tax Support. The information will be included in the updated Report to Council.

## OTHER CONSIDERATIONS:

### 7 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 7.1 Calculation of the tax base supports all tenets of the Council's contribution to the Sustainable Community Strategy and change plans.

### 8 RESOURCE IMPLICATIONS:

- 8.1 The calculation of the tax base is fundamental to the calculation of the Council Tax and to the Council's ability to finance its planned programmes.

### 9 RISK MANAGEMENT ISSUES

- 9.1 The tax base will be influenced by various factors that cannot be quantified or assessed fully at this stage; some external and outside of the control of the Council. The introduction of the technical reforms to Council Tax exemptions and discounts adds a new factor to the calculation and an additional level of complexity to any estimates. Consideration has been given to these factors when preparing the tax base and a cautious approach has been taken with estimates. If Cabinet changes any of the assumptions made in this report

when it considers Report CAB 2415, then the assumptions will have to be changed in the proposed updated report to Council.

BACKGROUND DOCUMENTS:

None

APPENDICES:

A. Council Tax Setting – Relevant Amounts.

Council Tax Setting – DRAFT Relevant Amounts for Winchester (whole area)

APPENDIX A

Description	Band A disabled relief	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H		
Dwellings		2,232.00	6,378.00	11,613.00	9,040.00	8,236.00	6,364.00	5,131.00	657.00	<b>49,651.00</b>	
Additions		4.60	0.36	14.76	27.96	53.56	40.20	7.62		<b>149.06</b>	
Reductions		3.00								<b>3.00</b>	
Exemptions		231.58	169.36	592.70	232.53	123.13	107.49	138.44	34.07	<b>1,629.30</b>	
Exemptions (on additions)		0.18	0.01	0.59	1.12	2.14	1.61	0.30	0.00	<b>5.96</b>	
Disabled relief	2	11.00	6.00	13.00	11.00	7.00	-24.00	-12.00	-14.00	<b>0.00</b>	
<b>Chargeable dwellings</b>	<b>2.00</b>	<b>2,012.84</b>	<b>6,214.99</b>	<b>11,047.47</b>	<b>8,845.31</b>	<b>8,171.29</b>	<b>6,271.10</b>	<b>4,987.88</b>	<b>608.93</b>	<b>48,161.80</b>	
<b>Discounts</b>											
25%	1	1,002.00	3,534.00	3,851.00	2,729.00	1,850.00	1,115.00	653.00	52.00	<b>14,787.00</b>	
25% (on additions)		1.38	0.11	4.43	8.39	16.07	12.06	2.29	0.00	<b>44.72</b>	
50%		5.00	3.00	7.00	5.00	2.00	10.00	22.00	20.00	<b>74.00</b>	
10%										<b>0.00</b>	
100% - 1 month		31.57	44.69	52.07	36.90	27.06	16.40	13.94	1.23	<b>223.86</b>	
CTS					3,799.16					<b>3,799.16</b>	
<b>Total Discounts</b>	<b>0.25</b>	<b>284.92</b>	<b>929.72</b>	<b>1,019.43</b>	<b>4,522.91</b>	<b>494.58</b>	<b>303.17</b>	<b>188.76</b>	<b>24.23</b>	<b>7,767.95</b>	
<b>Net Dwellings</b>	<b>1.75</b>	<b>1,727.92</b>	<b>5,285.27</b>	<b>10,028.04</b>	<b>4,322.40</b>	<b>7,676.71</b>	<b>5,967.94</b>	<b>4,799.11</b>	<b>584.70</b>	<b>40,393.85</b>	
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		
<b>Band D Equivalents</b>	<b>0.97</b>	<b>1,151.95</b>	<b>4,110.76</b>	<b>8,913.82</b>	<b>4,322.40</b>	<b>9,382.65</b>	<b>8,620.35</b>	<b>7,998.52</b>	<b>1,169.40</b>	<b>45,670.83</b>	
					<b>Total band D equivalent 45,670.83</b>						