

Summary Sheet

Report to Council

Title Calculation of the Council Tax Base for 2016/17

Is this a Key Decision and has it been included on the Forward Plan? Yes

Strategic Director Approving Submission of the Report

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Ward(s) Affected All

Executive Summary

This report sets out the calculation of the Council's proposed Council Tax base for the forthcoming financial year 2016/17.

This calculation takes into account: the Council's own Local Council Tax Reduction Scheme (CTRS), the discretionary discounts and exemptions awarded to empty properties and second homes, future tax collection rates in 2016/17 and estimates of the changes and adjustments in the tax base that occur during the financial year.

In accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 governing its calculation, it is determined that the Council's Tax Base for the financial year 2016/17 is **67,149.57** Band D Equivalent Properties.

Recommendations

That Members resolve that:

- **Rotherham's Council Tax Reduction Scheme for 2016/17 is unchanged from 2015/16;**
- **The 25% Council Tax empty property discount allowed for the first 6 months a property is empty should be revised to 0%.**
- **The full Council Tax be charged on empty properties undergoing major structural repairs for the financial year 2016/17;**

And

- That the amount calculated by Rotherham Metropolitan Borough Council as its Council Tax Base and those of the Parish Councils shown at Appendix A for 2016/17 shall be a total of 67,149.57 Band D Equivalent Properties.

List of Appendices Included – Appendix A - The Council Tax Base for 2016/17

Background Papers

- The Localism Act 2011
- Local Government Finance Act 1992.
- Local Authorities (Calculation of Council Tax Base) Regulations 2012 (Statutory Instrument 2012 no 2914)
- Local Authorities (Calculation of Council Tax Base) Regulations (Statutory Instruments 1992 no.612 and 1999 no.3123).
- Local Authorities (Calculation of Council Tax Base/Supply of Information) Regulations 1992 (Statutory Instrument 2904).
- Section 84 of the Local Government Act 2003
- The Council Tax Reduction Schemes (prescribed requirements) England)(Amendment) Regulations 2013
- Housing Benefit circular A24/2013
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015

Consideration by any other Council Committee, Scrutiny or Advisory Panel No

Council Approval Required Yes

Exempt from the Press and Public No

1. Recommendations

1.1 It is recommended that Members resolve that:

- **Rotherham's Council Tax Reduction Scheme for 2016/17 is unchanged from 2015/16,**
- **Council Tax Empty Property Discounts that the 25% empty property discount allowed for the first 6 months a property is empty should be revised to 0%;**
- **The full Council Tax be charged on empty properties undergoing major structural repairs and**
- **The amount calculated by Rotherham Metropolitan Borough Council as its Council Tax Base and those of the Parish Councils shown at Appendix A for 2016/17 shall be a total of 67,149.57 Band D Equivalent Properties.**

2. Background

2.1 Setting the Tax Base is a precursor within the Budget setting process to the determination of the Council Tax level.

2.2 The formula for calculating the Council's Tax Base is set out by the Local Authorities (Calculation of Council Tax Base) Regulations 2012 and the projected Tax Base is shown in Appendix A. The Council Tax Base is derived from the total number of properties within the Council's area as at the 1st December 2015, which, in the opinion of the Government's Valuation Office Listing Officer, were subject to Council Tax.

3. Key Issues

3.1 The calculation of the Tax Base takes into account several factors:

- The Council's own Local Council Tax Reduction Scheme (CTRS),
- The discretionary discounts and exemptions awarded to empty properties and second homes,
- Future tax collection rates, and
- Estimates and projections reflecting the changes and adjustments in the Tax Base that occur during the financial year, in particular, newly built properties.

Council Tax Reduction Scheme (CTRS)

3.2 Prior to April 2013, Council Tax Benefit (CTB) was an income related benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP). A grant from the DWP met in full the cost of the CTB awarded. In April 2013 CTB was abolished and replaced by a locally

determined and administered discount scheme - **the Council Tax Reduction Scheme (CTRS)**.

- 3.3 Rather than being a benefit payment CTRS operates as a discount on the Council Tax charged by an authority. Local CTR Schemes are required by statute to protect pensioners who provided their circumstances do not change receive the same help as under the CTB scheme. Working age claimants do not receive any such protection and authorities can require a contribution towards Council Tax from these claimants.
- 3.4 Rotherham's current CTRS retains all the elements of the CTB scheme but reduced working age claimant entitlement from the maximum entitlement of 100% to 91.5% meaning that they are required to pay a minimum 8.5% of their Council Tax liability. The scheme which was originally introduced for 2013/14 has remained unchanged for the last two financial years (2014/15 and 2015/16).
- 3.5 It is proposed that Rotherham's local CTRS for 2016/17 should be unchanged from 2015/16, retaining the scheme in its present format. Working age claimants will continue to be required to contribute a minimum 8.5% of their Council Tax liability.
- 3.6 The impact of the CTRS on the Tax Base across the Borough is determined by assessing the number and value of claims by Tax Band across the Borough (including in parishes) and converting them to Band D Equivalent properties, which are then deducted from the Council Tax Base. Experience since 2013/14 indicates that the number of claimants and the total cost of the scheme is reducing year on year.
- 3.7 To compensate for the reduction in the Tax Base, the Council received grant of £17.51m in 2013/14 (the Police and Fire and Rescue Authorities also received grant funding). Since 2014/15 this funding has been subsumed within Revenue Support Grant (RSG) and it is not possible to separately identify the CTRS grant allocation. Although Ministers have asserted that the grant has not reduced, the consensus is that this funding has declined in line with central government grant reductions and the Council's Medium Term Financial Strategy reflects this.

Empty Property Discounts

- 3.8 From 2013 technical changes in Council Tax Regulations allowed the Council to reduce the discretionary discounts awarded to empty properties and second homes and, in some cases, charge tax premiums. For 2015/16 these were rolled forward at the same levels as in 2014/15:

- 25% discount for up to 6 months for empty and unfurnished properties; and
- 25% discount for up to a year for properties undergoing major structural repair.

3.9 It is not possible to revise the Council Tax premiums charged on long term empty properties as these are already at the maximum level but the Council can reassess the empty property discounts it allows.

3.10 **Empty and unfurnished properties** – during the financial year 2014/15 (the latest full year for which figures are available) a total of £473k was granted in respect of the 25% discounted Council Tax for empty and unfurnished properties (including Borough Council Tax and Police, Fire and Parish Council Taxes). The discount applies to properties for the first 6 months they were empty; however the average vacant period in Rotherham is 45 days. It is estimated that removing this discount would generate, after losses on collection but before increased collection costs, an additional £378,000 per year - an 80% collection rate. Rotherham Council's share of this would be 84%. It is estimated that after allowing for an increase in the cost of collection (£105k) the potential additional income would be £273k with the Council receiving £229k in a full year.

3.11 **Structural Repairs** – in 2014/15 (the latest full year), £42k was granted in relation to the 25% discount allowed to empty properties undergoing major structural repairs. It is considered that removing this discount would generate an additional £40k Council Tax income in a full year after losses on collection with £34k accruing to the Council. The losses on collection are assumed to be significantly lower than for the empty property discount as in the main these will be charges to property developers.

3.12 Overall it is estimated that these changes to Council Tax discounts would in a full financial year generate an additional £313k in income after losses in collection and increased costs of collection, of which £262k would be attributable to the Council (the remaining £51k relates to the Police and Crime Commissioner's and Fire Authority's precepts and to Parishes).

3.13 It is recommended therefore that the 25% empty property discount allowed for the first 6 months a property is empty should be revised to 0% and the full Council Tax be charged on empty properties undergoing major structural repairs

Council Tax Collection Rate

3.14 An estimated Council Tax collection rate of 96.5% (equivalent to a losses adjustment of 3.5%) was applied in 2014/15 and retained in 2015/16. The Council has a good record in respect of Council Tax collection - having been

the 5th best performing Metropolitan District in 2014/15 (the latest year for which statistics are available). Collection rates have remained high during the current financial year and the challenging 97% target in year collection rate is expected to be achieved. In light of this it is considered appropriate to apply an estimated collection rate of 97% to the Council Tax Base for 2016/17 reducing the provision for losses on collection from 3.5% to 3% which would generate an additional £0.4m before any increase in Council Tax.

- 3.15 In light of the changes to empty property discounts outlined above and the reduced provision for losses on collection, tax collection rates in the coming financial year will continue to be closely monitored. In addition, given the expected continuing effect on payment and default levels of the Government's ongoing welfare reform it is considered prudent at present to retain 96.5% Tax Collection rates for the two subsequent years 2017/18 and 2018/19 respectively.

Changes and adjustments to the Tax Base

- 3.16 The Council Tax Base in previous years has included estimates and projections reflecting the changes and adjustments in the Tax Base that occur during the financial year. These have included:

- The completion of new properties;
- Changes in banding as a result of adjustments and appeals;
Discounts, exemptions and reliefs (for example, single person discounts, and reductions in liabilities for disabled persons).
- The ending of the discount period on empty properties on their reoccupation.

- 3.17 For 2016/17 it is estimated that overall the Council's Tax Base will increase by 1,672 Band D Equivalent properties to 67,149.57 compared to 65,477.52 in 2015/16– a rise of 2% over 2015/16. This increase in Band D equivalent properties is estimated to will generate an additional Council Tax yield of £2.1m in 2016/17.

The Tax Base for the Council as a whole (both parished and unparished areas) is made up as follows:

<u>Tax Band</u>	<u>Band D Equivalent Properties</u>
Band A	25,679.35
Band B	13,986.82
Band C	11,353.41
Band D	7,857.61
Band E	4,984.11
Band F	2,207.93
Band G	1,017.77
Band H	62.57
TOTAL	67,149.57

4. Options considered and recommended proposals

- 4.1 Council Tax Reduction Scheme – the operation of Rotherham’s local CTRS was considered but in light of the expected reduction in claimant numbers and Government’s ongoing welfare reform programme it is recommended that the for 2016/17 should be unchanged from 2015/16, retaining the current scheme in its present format.
- 4.2 Empty property discounts - having maintained the level of discretionary discounts on empty properties in 2015/16 at the same level as when they were introduced in 2014/15, their operation was reviewed and in light of the potential income forgone it was decided to reduce the level of discounts as recommended.
- 4.3 In preparing this report the reduction in the assumed level of losses on collection was considered, particularly in light of the Council’s record of good performance in Council Tax Collection and the recommendation to revise the adjustment for losses on collection from 3.5% to 3.0% reflects this. The Council Tax collection rate of 97% for 2016/17, has been fully reflected in the Council’s MTFS.

5. Consultation

- 5.1 The South Yorkshire Police and Crime Commissioner, South Yorkshire Fire and Rescue Authority and Parish and Town Councils will be notified of their Council Tax Bases for 2016/17 by the end of January 2016.

6. Timetable and Accountability for Implementing this Decision

- 6.1 Rotherham's Council Tax Reduction Scheme (CTRS) must be approved annually by Council and as the CTRS affects the calculation of the Council Tax Base, approval to retain the 2015/16 scheme in 2016/17 is included in this report.
- 6.2 Regulations under the Local Government Finance Act 1992 require Full Council to approve the Council's annual Council Tax Base before 31 January in the preceding financial year and to notify both major and local precepting authorities of their tax base.

7. Financial and Procurement Implications

- 7.1 Determining the Council Tax Base is also a fundamental part of the budget setting process. The Tax Base is central in determining the amount of Council Tax income to be raised, which represents a significant proportion of the Council's resources for the coming financial year.
- 7.2 The increase in the Council's Tax Base due to the number of additional properties, the reduction in cost of the CTRS, reduced provision for losses on collection and ending of the discount for empty properties plus the consequent £2.1m increase in Council Tax income (before any increase in Tax Rate) has been reflected in the Council's Revenue Budget plans for next year and in the MTFS.

8. Legal Implications

- 8.1 The Calculation of the Council Tax Base and the operation of the Council Tax Reduction Scheme as set out in this report are in compliance with the relevant Regulations.

9. Human Resources Implications

- 9.1 None directly from this report

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 None directly from this report

11 Equalities and Human Rights Implications

- 11.1 From April 2013, The Government abolished the national Council Tax Benefit (CTB) scheme and asked local authorities to set up their own local schemes to meet the needs of their local area. Rotherham's local scheme was introduced on 1st April 2013 and is known as Council Tax Reduction Scheme (CTRS). Prior to the introduction of the scheme the Council undertook an extensive Public Consultation Exercise and a detailed Equalities Impact Assessment.

- 11.2 The authority is required to confirm the scheme each year and it is proposed that for 2016/2017 the current CTRS is retained unchanged (as it was 2014/15 and 2015/16). In light of this no further consultation is required.
- 11.3 It is intended that Rotherham's CTR scheme will not be amended in 2016/17 and the disregards of income used in calculating Council Tax Support will be maintained. This includes: the DWP means-tested scheme of allowances, premiums and income the disregard of child benefit and child maintenance; disability allowances and 100% of all monies received in respect of war widows and war disablement pensions. This will ensure that the Council's CTRS will retain its original structure keeping the protections for vulnerable groups including claimants with relevant protected characteristics, which were in place when the scheme was established.

12. Implications for Partners and Other Directorates

- 12.1 None directly

13. Risks and Mitigation

- 13.1 As the Council Tax Base must be set by the 31 January 2016, it contains projections in respect of the additions, adjustments, discounts and reliefs to be granted before the 31 March 2016 and during the financial year 2016/17, including the projected cost of the Council's CTR scheme and an estimate of future collection rates. However, as the Council has maintained its position as one of the best performing metropolitan authorities in terms of Council Tax collection nationally over several years these assumptions appear robust. Furthermore the Council's vigorous approach to the issuing of completion notices has meant that new properties are promptly included in the Tax Base.

14. Accountable Officer(s) Stuart Booth Acting Strategic Director of Finance and Corporate Services:-

Approvals Obtained from:-

Strategic Director of Finance and Corporate Services:- Stuart Booth

Director of Legal Services:- Named officer

Head of Procurement (if appropriate):- Not Applicable

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