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| 1. | Meeting: | Cabinet |
| 2. | Date: | 15th January 2014 |
| 3. | Title: | Calculation of the Council Tax Base for 2014/15 |
| 4. | Directorate: | Resources |

5. Summary

This report provides details of the calculation of the Authority's proposed Council Tax base for the 2014/15 financial year. It should be noted that from April 2013 with the Localisation of Council Tax Support (now described by the Government as the Council Tax Reduction Scheme (CTRS)) the Council's Tax Base was significantly reduced compared to 2012/13. This is because under the Localisation of CTRS, eligibility to what was previously Council Tax Benefit, is treated as a discount and is therefore a reduction to the Tax Base.

The Council's proposed Scheme for 2014/15 was reported to Cabinet on 16th October 2013. It is proposed that the Council continue with its current Council Tax Reduction Scheme, subject to making annual benefit adjustments notified by the Department of Works and Pensions (DWP).

In determining the Council's Tax base for 2014/5 the sustained impact of the welfare reform changes on the Council Tax collection rate has also been allowed for – the allowance for losses on collection has been increased from 3% to 3.5% giving an estimated collection rate of 96.5%.

The calculation also reflects the number of newly built properties being constructed and the empty properties brought back into use.

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 2014/15 is **64,179.01** Band D Equivalent Properties.

6 Recommendation

That Cabinet is asked to recommend that Council:

- **Adopt the current Council Tax Reduction Scheme for 2014/15 with the following revisions: a. adjust the applicable amounts for working age claims to mirror those used in 2014/15 for Housing Benefit and b. increase Non-Dependant deductions to mirror those in the Council Tax Reduction Scheme prescribed requirements.**
- **Resolves 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 2014/15 shall be a total of 64,179.01 Band D Equivalent Properties.**

7 Proposals and Details

- 7.1 Setting the Tax Base is a precursor within the Budget setting process to the determination of the Council Tax level. 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. As in 2013/14, decisions on the Council's own Local Council Tax Reduction Scheme (CTRS) which must be made by Full Council affect the Council Tax Base calculation.
- 7.2 On October 16th Cabinet considered a report proposing to retain the Council's current Council Tax Reduction Scheme for 2014/15 with the following changes:
- Revision of the of the applicable amounts for working age claims to mirror those that will be used in 2014/15 for Housing Benefit; and
 - Increased Non-Dependent Deductions to mirror those in the Council Tax Reduction Scheme prescribed requirements.

With CTRS localisation, the DWP's and DCLG's annual changes apply only to the national core scheme which applies to pensioners. In addition, the DWP uprates annually the applicable amounts used to determine Housing Benefit. The Council needs to apply these adjustments to its local scheme, so that the provision for working age claimants in 2014/15 mirrors that for pensioners.

- 7.3 As in 2013/14, until the CTRS scheme for 2014/15 is formally approved it is not possible for the Council to determine its Council Tax Base. For this reason, the first recommendation in this report relates to the Council Tax Reduction Scheme.
- 7.4 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 2013, which, in the opinion of the Government's Valuation Office Listing Officer, were subject to Council Tax.
- 7.5 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.
- 7.6 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). This funding has now been subsumed within RSG for 2014/15 and it is not possible to separately identify the 2014/15 grant allocation for CTRS – the consensus is that this funding has declined in line with central government grant reductions.
- 7.7 In addition, in 2013/14 the Council decided to take advantage of technical changes in Council Tax Regulations and review the discretionary discounts and exemptions awarded to empty properties and second homes. These changes allowed the Council to reduce the discounts awarded and in some cases charge tax premiums. The report to Cabinet dated 16th October 2013 agreed the rolling forward of these discounts at the same levels in 2014/15 as set in 2013/14.
- 7.8 Given the substantial changes in the system and in light of collection performance during 2013/14, collection rates have been reviewed for 2014/15, ongoing performance

monitoring indicates Council Tax Collection Rates have remained high during 2013/14 – and are expected to achieve the challenging 97% target. It should be noted however, that there is considered to be a greater sustained risk with collecting Council Tax income in future given the expected continuing effect of the economic downturn and ongoing welfare reform will have on both reduced levels of payments and increased default levels. The number of accounts requiring recovery action has increased and although the majority of the Council Tax is considered to be collectable, the delays in the process (for example through applying to the Magistrates Courts for a Liability Order and benefit deductions) may mean that these debts may not be collected in-year.

7.9 Determining a prudent view of future Tax Collection rates taking account of these factors, it is recommended that an adjustment of 3.5 % should be made in respect of non-collection. This increase of 0.5% over the provision for collection losses used in 2013/4 is not suggested lightly - but not increasing the estimated level of losses given the risks and pressures identified would place pressure on the Council's Collection Fund. The reduction in the collection rate has been fully reflected in the Council's MTFS.

7.10 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 or their reoccupation.

For 2014/15 it is estimated that some 907 new and reoccupied Band D Equivalent properties will be added to the Council Tax base - an increase of 1.4%. Overall the 2014/15 Tax base shows a net increase of just under 0.9% or 547.57 Band D equivalent properties compared with the 2013/14 Tax Base of 63,631.44 Band D Equivalents. .

7.11 The result of applying the 96.5% collection rate to the Band D Equivalents for each of the parishes within the Borough and for the Borough as a whole is shown in the final column of Appendix 1 attached.

7.12 The Tax Base for the Council as a whole (both parished and unparished areas) is made up as follows: allowing for the additions, discounts and reliefs the estimated property base is converted into Band D Equivalent properties, giving a total of **64,179.01** Band D Equivalents.

| <u>Tax Band</u> | <u>Band D Equivalent Properties</u> |
|------------------------|--|
| Band A | 24,469.67 |
| Band B | 13,457.77 |
| Band C | 10,923.47 |
| Band D | 7,451.94 |
| Band E | 4,732.78 |
| Band F | 2,114.70 |
| Band G | 966.44 |
| Band H | 62.24 |
| TOTAL | 64,179.01 |

8 Finance

There are no direct implications arising from this report – however determining the Council Tax Base is a fundamental part of determining the amount of Council Tax income to be raised as part of the budget setting process, which comprises a significant element of the Council's resources for the coming financial year.

9 Risks and Uncertainties

As the Council Tax Base must be set by the 31 January 2014, it contains projections in respect of the additions, adjustments, discounts and reliefs to be granted before the 31 March 2014 and during 2014/15 and an estimate of future collection rates.

10. Policy and Performance Agenda Implications

The setting of the Council Tax Base is essential in underpinning all parts of the Council's activities.

11. Background Papers and Consultation

- 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
- Report to Cabinet 16 October 2013 – Council Tax Reduction Scheme 2014/15.

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