

## ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1.	<b>Meeting:</b>	<b>Cabinet</b>
2.	<b>Date:</b>	<b>14<sup>th</sup> January 2015</b>
3.	<b>Title:</b>	<b>Calculation of the Council Tax Base for 2015/16</b>
4.	<b>Directorate:</b>	<b>Resources</b>

### 5. Summary

This report sets out the calculation of the Council's proposed Council Tax base for the forthcoming financial year 2015/16. The calculation of the Tax Base 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 ( 96.5%) 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 2014/15 is **65,477.52** Band D Equivalent Properties.

### 6 Recommendation

**That Cabinet is asked to recommend that Council:**

- **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 2015/16 shall be a total of 65,477.52 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.
- 7.2 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 1<sup>st</sup> December 2014, which, in the opinion of the Government's Valuation Office Listing Officer, were subject to Council Tax.
- 7.3 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.
- 7.4 Rotherham's local CTRS for 2015/16 was approved by Full Council on October 22<sup>nd</sup> – the current scheme is to be retained in its present format - working age claimants will continue to be required to contribute a minimum 8.5% of their Council Tax liability. Local Council Tax Reduction Schemes are required by statute to protect pensioners and, provided their financial circumstances do not change, there will be no change in the Council Tax support that a pensioner receives.
- 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. Experience since 2013/14 indicates that overall there has been a decrease in claimant numbers of around 5%. Although the rate of decline does appear to be slowing, the downward trend in caseload is expected to continue and the projected CTRS costs for 2015/16 reflect this trend, with the result that the Tax Base is increased.
- 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). Since 2014/15 this funding has been subsumed within 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.
- 7.7 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 have been rolled forward at the same levels as in 2014/15.
- 7.8 Estimated Council Tax collection rates were reviewed for 2014/15 in light of the substantial changes in the system and collection performance during 2013/14. Although, collection rates had remained high during 2013/14 and the challenging 97% target was expected to be achieved, a prudent view of future Tax Collection rates taking account of a greater sustained risk with collecting Council Tax income in future given the expected continuing effect on payment and default levels of the economic downturn and

ongoing welfare reform meant that an increase of 0.5% in the provision for collection losses adjustment to 3.5% was recommended.

7.9 This increase was not suggested lightly - but not increasing the estimated level of losses given the risks and pressures identified would have placed pressure on the Council's Collection Fund. Experience to date in 2014/15 indicates that the 96.5% collection rate will be achieved, and Rotherham's record as one of the best performing metropolitan authorities will be maintained (the Council was ranked 5<sup>th</sup> in 2013/14). In light of the continuing high level of performance it is proposed that the adjustment for losses on collection of 3.5% is retained giving a collection rate of 96.5%, which 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 2015/16 it is estimated that some 728.55 new and reoccupied Band D Equivalent properties will be added to the Council Tax base - an increase of 1.1%. This increase is significantly higher than in recent years and reflects the recovery of the construction industry in the town as the number of new builds and the rate of completions has increased and is now above even the estimates (including those provided by builders last year) which had been built into the MTFS. The most significant growth has been in relation to the Waverley development in the Parish of Orgreave, where the number of Band D properties is increasing by 57% or 133.66 Band D equivalents. There has also been 6.0% - 103.92 Band D equivalent properties growth in Thurcroft. Not only have more properties been built but the new properties are more likely to fall into the higher value Council Tax bands – bands D-F having increased by 2.3% on average. Finally, the Council's decision in 2013/14 to use new discretions to reduce the discounts on empty properties from nil for 6 months to 25% for 3 months combined with the already robust approach to the issuing of completion notices has meant that new properties are promptly included in the tax base.

7.11 In addition to new build properties the tax base has also increased as a result in the reduction in the cost of the Council's CTRS scheme and the number of working age claimants. Overall the 2015/16 Tax base of shows a net increase of 2.0% or 1,298.51 Band D equivalent properties compared with the 2014/15 Tax Base of 64,179.01 Band D Equivalents. This increase in Band D equivalent properties will generate additional Council Tax yield of £1.6m in 2015/16. £937k of this increase has already been reflected in the MTFS, meaning that the additional new tax yield to support the Council's 2015/16 budget will be £691k.

7.12 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.

7.13 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 **65, 477.52** Band D Equivalents.

<u>Tax Band</u>	<u>Band D Equivalent Properties</u>
Band A	25,013.27
Band B	13,683.29
Band C	11,113.83
Band D	7,654.68
Band E	4,805.43
Band F	2,169.24
Band G	976.50
Band H	61.28
<b>TOTAL</b>	<b>65,477.52</b>

## 8 Finance

The consequence of the increase in the Council Tax Base in terms of increased resources to support the revenue budget is set out in section 7.11 above and the £691k additional resources identified will be reflected in the Council's Revenue Budget plans. 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.

## 9 Risks and Uncertainties

As the Council Tax Base must be set by the 31 January 2015, it contains projections in respect of the additions, adjustments, discounts and reliefs to be granted before the 31 March 2015 and during the financial year 2015/16, including the projected cost of the Council's CTR scheme 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 24 September 2014 and Council 22 October 2014 – Council Tax Reduction Scheme 2015/16.

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