



Title: **Council Tax Base 2013/14 & Related Financial Issues**

Public Agenda Item: **Yes**

Wards Affected: **All Wards**

To: **Council** On: **6th December 2012**

Key Decision: **Yes**

Change to Budget: **Yes** Change to Policy Framework: **No**

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1. What we are trying to achieve

- 1.1 The Council is required to determine its Tax Base for Council Tax purposes for 2013/14 during the period 1 December 2012 to 31 January 2013 and the level of Council Tax subsequently set must use this base figure. A Tax Base calculation is provided in Appendix 1 for an appropriate decision to be made.
- 1.2 In accordance with the Local Authority (Funds) (England) Regulations 1992, an estimate of the deficit or surplus on the Collection Fund for incorporation in the Council Tax level must be made.
- 1.3 The Council, as a billing authority, is required to calculate a separate Tax Base for the Brixham Town Council's area. A Tax Base calculation for the area is provided in Appendix 2 for an appropriate decision to be made.
- 1.4 The calculation of the Taxbase for both the Torbay Council area and Brixham Town Council area now includes the impact of the new Council Tax Support Scheme which significantly reduces both Councils income from Council Tax which is then offset, in part, by a new Council Tax Support Grant. The proposed Council Tax Support Scheme is being considered elsewhere on this agenda and this report has been written on the basis that the scheme is approved as set out within the report.
- 1.5 As part of the new Business Rates Reduction Scheme Councils are advised to approve their estimate of Business Rate Income for the forthcoming year prior to submission to DCLG by 31st January.
- 1.6 The Council is also proposing a number of technical changes to the tax base which will generate additional council tax income to support the Council during

this challenging financial climate.

2. Recommendation(s) for decision

2.1 That Council (as described in paragraph A3) approve the following technical adjustments to Council tax discounts

- **a) Set discount for prescribed class D dwellings (formally exempt class A) to nil. (paragraph A3.8)**
- **b) Set discount to 100% for a period of one month for prescribed class C dwellings, (formerly exempt class C “unoccupied and substantially unfurnished for less than six months”), and after that initial one month period the discount is nil. (paragraph A3.9)**
- **c) Reduce discount for all other prescribed class C dwellings – “unoccupied and substantially unfurnished” to nil. (paragraph A3.5)**
- **d) reduce the discount for prescribed class A and B (“second homes”) to nil. (paragraph A3.4)**

2.2 That the calculation of the Council Tax Base for the year 2013/14 be approved as shown in Appendix 1

2.3 That the calculation of the Brixham Town Council Tax Base for the year 2013/14 be approved as shown in Appendix 2.

2.4 That, in accordance with the Local Authorities (Calculation of Tax base) (England) Regulations 2012, the amount calculated by Torbay Council as its Council Tax base for the year 2013/14 should be 41,586.58. (Dependant on approval of 2.1 & 2.2).

2.5 That, in accordance with the Local Authorities (Calculation of Tax base) (England) Regulations 2012, the amount calculated by Torbay Council as the Council Tax base for Brixham Town Council for the year 2013/14 should be 5,597.39. (Dependant on approval of 2.1 & 2.3).

2.6 That the estimated distribution on the Collection Fund as shown in paragraph A4.4 to the submitted report be approved.

2.7 That, subject to agreement with Brixham Town Council, the Council transfers the DCLG allocation of Council Tax Support grant for 2013/14 identified for Brixham Town Council direct to the Town Council.

2.8 That the approval of the Council’s estimate of Business Rate Income (NNDR1) for the next financial year and following years is delegated to the Chief Finance Officer and subsequently distributed to all Members.

3. Key points and reasons for recommendations

3.1 The calculation of the Council Tax Base for both Torbay and Brixham Town

Council is a statutory requirement in the budget setting process.

For more detailed information on this proposal please refer to the supporting information.

Paul Looby
Chief Financial Officer

Supporting information

A1 Background

A1.1 For the setting of the Taxbase for 2013/14 there are significant changes in both the components of the Taxbase as well as its calculation. These arise from changes to existing regulations in relation to exemptions and discounts and new legislation, in particular the introduction of a Council Tax Support Scheme to replace Council Tax Benefits. The impact of this change is that this additional Council Tax support will reduce the Taxbase and will therefore reduce the level of Council Tax Income the Council (and Brixham Town Council) will receive. This reduction in income is met in part by a new by a new Council Tax Support Grant.

A2. Taxbase

A2.1 The Council is required by the 31st January to establish a base figure for the purpose of setting the level of Council Tax each year – the “Tax Base”. The calculation of this figure is prescribed by the Local Authorities (Calculation of Tax Base) (England) Regulations 2012.

A2.2 The Regulations require this calculation to be made between 1st December 2012 and 31st January 2013 and for this figure to be notified to precepting authorities by the 31st January 2013. For the year commencing 1st April 2013 these will be the major precepting authorities of Devon and Cornwall Police Authority, Devon and Somerset Fire and Rescue Authority and as a local precepting authority, Brixham Town Council.

A2.3 Torbay Council, together with Devon and Cornwall Police Authority, Devon and Somerset Fire and Rescue Authority and Brixham Town Council are required to use the tax base calculated by Torbay Council, as the billing authority, to determine their basic amounts of Council Tax for 2013/14.

A2.4 The calculation of the tax base is prescribed by statute. It reflects the aggregate of the “relevant amounts” for each valuation band (now including the impact from Council Tax Support Scheme) multiplied by the anticipated collection rate for the year. The calculation for the Council’s tax base is shown in Appendix 1 and the calculation for Brixham Town Council is shown in Appendix 2.

A2.5 The calculation of the relevant amount begins with the actual number of dwellings on the “relevant date”. For 2013/14 this is the 30th November 2012 and this is the date that must be used. This number is adjusted to make allowance for estimated variations to the list in the course of the year and for the impact of allowed discounts to certain classes of dwellings.

A2.6 The impact of the Council Tax Support Scheme, which is linked to claimants, is converted to an equivalent number of dwellings per band by dividing the estimated cost per band of the reductions divided by the estimated Council Tax for that band.

A2.7 These are then converted into Band “D” equivalents to produce the “relevant” amounts prescribed by the Regulations.

- A2.8 The billing authority then estimates its Council Tax Collection Rate, which is the percentage of 2013/14 Council Tax demands which it predicts will be paid into the Collection Fund during 2013/14. The Collection rate estimated for 2013/14 is a continuation of the rate for 2012/13, namely 96.5%, which is in line with the actual in year collection rate achieved for 2011/12, and this is reflected in the Tax Base calculation.
- A2.9 The resultant calculation produces a tax base for 2013/14 of 41,586.58. This is a significant reduction on 2012/13 due to the impact of the Council Tax Support Scheme. However within the calculation the underlying dwellings in the valuation list have increased by 0.3%.
- A2.10 To calculate the council tax due to Brixham Town Council a Tax Base must be determined by Torbay Council, as the billing authority. The tax base for Brixham Town Council is and the calculation is shown in Appendix 2.
- A2.11 The resultant calculation produces a tax base for 2013/14 of 5,597.39. As with the Council figure, this is a significant reduction on 2012/13 due to the impact of the Council Tax Support Scheme. However within the calculation the underlying dwellings in the valuation list in the Brixham Town Council area there is a very small increase.

A3 Technical Adjustments

- A3.1 Within the Taxbase calculation there are a number of exemptions and discounts for certain categories of dwellings. Some of these are set by central government and some the Council has discretion over.
- A3.2 The Local Government Finance Act 2012 (and the relevant regulations) introduced some changes to both the classification of dwellings and discounts and gave greater freedoms for Councils to alter the discount rate applicable on various classes of Council Tax dwellings.
- A3.3 In relation to Exempt class L – dwellings where the “Mortgagee in possession to be liable for Council tax”, within the Local Government Finance Act 2012 (s12) the current exemption has been withdrawn.
- A3.4 In relation to discounts for prescribed class A and B (“second homes”) it is proposed to set the discount to nil from 10%. This change is permitted under Local Government Finance Act 2012 (s10). A second home is a dwelling owned by an individual who also has their main residence at a property elsewhere.
- A3.5 It is proposed to reduce discounts for all other prescribed class C dwellings – “unoccupied and substantially unfurnished” to nil from 10%. This change is permitted under Local Government Finance Act 2012 (s10). These include properties that have been vacated and the majority of furniture has been removed or new properties that are not yet occupied.
- A3.6 The Council Tax (Exempt Dwellings)(England)(Amendment) Order 2012 (SI 2965) removes two categories of dwellings (exempt class A - vacant dwellings where major repair works or structural alterations are required, under way or recently completed and (exempt class C - vacant dwelling (i.e. empty and substantially unfurnished for less than six months) from a class that is exempt

from Council tax to a class of dwelling subject to Council tax as defined by the Council tax (Prescribed Classes of Dwellings)(England) (Amendment) Regulations 2012 (SI 2964).

- A3.7 As a class of dwelling subject to Council tax under the Local Government Act 1992 (s11a) the Council can set rates of discount, if any, to these dwellings.
- A3.8 It is proposed to set the discount for (new) prescribed class D dwellings (formally exempt class A) at nil. These are properties empty as they are undergoing major repair or other structural works such as a property redevelopment.
- A3.9 It is proposed to set the discount to 100% for a period of one month for prescribed class C dwellings, (formerly exempt class C “unoccupied and substantially unfurnished for less than six months”), and after that initial one month period the discount is nil. The discount has been set at one month as a result of potential issues over the operation of this discount and the ability to make appropriate changes to the Council’s software, it is intended that this operational impact of this discount will be reviewed during 2013/14.
- A3.10 Any changes to the discount rates applied to these dwelling require a determination by full Council. The Local Government Finance Act 2012 states that a billing authority may specify the rate of these discounts to be between 0% and 100%.
- A3.11 In addition to this the Act (s11) also states that a billing authority may apply a premium to long term empty dwellings of up to an additional 50% of the Council Tax for that property. A long term empty property is a property that has been empty for over two years. At this stage, due to the significant changes to the Taxbase calculation from April 2013, it is proposed not to apply any additional premium to the Long Term Empty dwellings. If implemented the impact of the premium is estimated to be in the region of £0.1m per 10% premium.

A4 Estimation of Collection Fund Surplus/Deficit (Council Tax)

- A4.1 An estimate to be made as of the surplus or deficit on the Collection Fund at year end from under or over achieving the estimated collection rate. As this Council sets a collection rate within its tax base equivalent to the amount collected in the 12 months of the next financial year any surplus primarily represents the collection of sums due in respect of previous years. This indicates a level of success in collecting old year debts and raises the overall, longer term, collection rate to above the in year rate of 96.5%.
- A4.2 The amount of any surplus or deficit which a billing authority, like Torbay, estimates on its collection fund at the end of the current year is to be shared and is taken into account by both the billing authorities and Major Precepting Authorities in calculating basic amounts of Council Tax for the subsequent year.
- A4.3 The balance on the Collection Fund as at 31st March 2012 was £3.072m (Torbay share is £2.6m). A figure of £2.211m was estimated to be distributed in 2012/13 (Torbay share £1.873m). The latest estimate of the Collection Fund in year surplus in respect of Council Tax as at 31st March 2013 is £1.301m giving an estimated surplus from the years prior to 2013/14 to distribute of £2.162m.

A4.4 This surplus has to be shared in 2013/14 between Torbay Council, Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority in accordance with their demands on the Collection Fund for 2012/13. The estimated share of the 2012/13 surplus in 2013/14 is as follows:

	Share of Surplus	% Share	2012/13 Precept
Torbay Council	£1.825m	84.4%	£62.017m
Devon and Cornwall Police Authority	£0.230m	10.7%	£7.830m
Devon and Somerset Fire and Rescue Authority	£0.107m	4.9%	£3.624m
Totals	£2.162m	100%	£73.471m

A4.5 As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be entitled to a share of any surplus or deficit on the collection fund.

A4.6 There is a level of uncertainty of the impact the new Council Tax Support Scheme in terms of both its costs, level of demand and any issues over uncollectability. As a result for future year planning the Collection Fund Surplus, for Torbay, is estimated to be £0.7 million for the next 3 years. These estimates will be incorporated into the next revision of the Medium Term Resource Plan 2013 - 2017.

A5 Council Tax Support Grant.

A5.1 To support the loss of income to Councils from reduced Council Tax Income due to the impact of the Council Tax Support Scheme the Council will receive from 2013/14 a Council Tax Support Grant. This grant reflects the 10% funding reductions that central government have set for Councils in moving to the new scheme and will be merged in to the Revenue Support Grant. This grant has been included in the Council's budget proposals for 2013/14.

A5.2 In relation to Brixham Town Council as a local precepting authority, their Taxbase and therefore Council tax income will also be lower due to the impact of the new scheme. Central Government will provide a Council Tax Support Grant to Torbay Council to reflect the estimated impact of the new scheme on the Town Council. It is recommended that Torbay Council, subject to agreement with Brixham Town Council, transfers the DCLG allocation of Council Tax Support grant for 2013/14 identified for Brixham Town Council direct to the Town Council. It is suggested that, subject to negotiation, the grant be paid in line with the usual precept dates (50% 1st April and 50% 1st October) and the grant is increased each year in line with increases, if any, in Torbay Council's share of band D Council tax.

A6 Business Rates Income Estimate

A6.1 Under the new Business Rates Retention funding from April 2013 the Council (as before) has to provide DCLG with an estimate of its Business Rate Income for the forthcoming year. However due to the changes in the funding and the

local/central share, DCLG require the estimate (completed on a NNDR1 form) to be compiled using data as at 31st December and submitted by January 31st. DCLG have suggested that due to the importance of this estimate on Council funding that this estimate is now approved and members are aware of the estimate being made.

A6.2 Under the new funding system for Councils from April 2013 known as the Business Rates Retention Scheme the value of the business rate income for the Council is an integral part of the a Council's overall funding. Under the previous system billing authorities, like Torbay, collected business rate income on an agency basis on behalf of central government and passed that income to a central pool. This pool was then redistributed to Councils on a "needs" basis. Under the new system Torbay will retain 49% of all business rate income collected with the Council bearing a share of the risk or reward from any variations in income level. This system aims to provide Councils with clear incentives to promote business rate growth.

A6.3 It is therefore recommended that, due to the timing as to when this information is required, the approval of the Council's estimate of Business Rate Income (NNDR1) for the next financial year and following years is delegated to the Chief Finance Officer and subsequently distributed to all Members.

Appendices

Appendix 1 The calculation of Torbay Council's Tax Base 2013/14

Appendix 2 The calculation of Brixham Town Council's Tax Base 2013/14

Background Papers: