

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

CALCULATING THE COUNCIL TAX BASE FOR 2013/2014

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider and approve the Council Tax base to be used for each part of the Council's area for formula grant and tax setting purposes.
- 1.2 The key elements of this report are:
 - To note the council tax base at 30 September 2012, as submitted to the Department of Communities and Local Government (CLG)
 - To approve changes to the level of Council Tax discount applied to some unoccupied properties, to encourage them to be brought back into use;
 - To set and notify a gross taxbase for the purpose of calculating parish precepts;
 - To set a taxbase net of Localised Council Tax support for the Council and major precepting authorities;
 - To note the new requirement to formally set a non domestic rate tax base and to authorise completion of the provisional National Non-Domestic Rate return (NDR1).

2. BACKGROUND INFORMATION

- 2.1 North Lincolnshire Council has the power in statute to raise a tax on households in its area to pay for the provision of local services. It is designated as the billing authority for the area. This means that it is responsible for levying a council tax to meet its own demands and to meet the precepts of lower and higher tier authorities in the area. The precepting bodies are:
 - Parish and town councils in North Lincolnshire
 - Humberside Police Authority/Police Commissioner
 - Humberside Fire Authority

It also provides details of its taxbase to levying bodies to which it must pay a contribution for the cost of services provided in the area. That includes the Environment Agency (Anglian and Severn Trent Regions) and the Port Health Authority.

- 2.2 Section 33 of the Local Government Finance Act 1992 requires the council to determine its tax base for council tax purposes each year. The council keeps a database of the properties in its area. This is the basis on which the council tax is raised. Properties are recorded in 8 national bands by value (A to H) as determined by the independent Valuation Office agency. Band H taxpayers pay twice as much as those in band D and three times as much as those in band A. The number of properties is expressed as a number of Band D equivalent properties for the purposes of calculating what £1 on the council tax would raise.
- 2.3 All precepting bodies have a right to request in writing the tax base figure for the area or their part of the area in the period 1 December to 31 January. It is this taxbase that they will use to calculate a precept to fund their services which they will direct the council to collect on their behalf. The taxbase is subject to change as new properties are built or converted and old properties demolished, so the taxbase needs to be recalculated each year. Government also requires information on the council taxbase to determine the council's share of national grant funding.
- 2.4 The Local Government Finance Act 2012 has changed the methodology for the calculation of the council taxbase. The taxbase calculated for parishes will now differ from that used for the Council, Fire and Police.
- 2.5 North Lincolnshire Council will use the tax base to calculate a combined council tax requirement for 2013/14 for itself, Humberside Police, Humberside Fire Authority and parish councils. The Council tax collected is pooled in a collection fund and then distributed to North Lincolnshire Council and the precepting bodies on the basis of their tax decisions.

3. **OPTIONS FOR CONSIDERATION**

Tax Base for Grant Purposes

- 3.1 The government uses tax base data when it determines the amount of formula grant to be paid to each local authority. It makes use of the CTB1 form which billing authorities are required to submit every October. This is the taxbase at 30 September.
- 3.2 Government assumes that the council will be able to collect 100% of the tax it levies on this base and uses the information to determine the council's share of formula grant. This gives a band D equivalent taxbase of **52,411.8 (see Appendix A)**

Council Tax Technical Changes

- 3.3 For the council and those which precept on it the CTB1 taxbase is adjusted to take account of projected changes in the valuation list and likely levels of discounts and exemptions for 2013/14. For 2013/14, the government has provided councils with flexibilities in relation to the level

of discount applied to some categories of unoccupied property. This is a change to the legislation; previously the levels of discount awarded were mandatory. This paper proposes that from 2013/14 a number of these new flexibilities should be adopted by the council.

- 3.4 The following amendments to Council Tax discounts/exemptions are recommended:

Category	Current level of discount	Recommended level of discount	Rationale
Second Homes	10%	Nil	Reasonable to assume that second home owners are able to pay the full charge
Class A Major repairs	100% for 12 months	50% for 12 months	Encourage early return to occupation. Government proposals allow no flexibility regarding period of exemption
Class C Empty and unfurnished	100% for 6 months	100% for 3 months then nil	Provides property owners with a reasonable time to re-occupy
Class L Repossessed by mortgage lender	100% until sold	100% until sold	Little benefit to removal, unclear whether government will proceed with this option
50% premium for long term empty properties (empty for 2 years or more)	Nil	Nil	Additional premium of 50% may be levied on properties which have been empty for over 2 years. Government has proposed a number of exceptions which are yet to be confirmed. The benefits of charging a premium are modest and administratively onerous to pursue.

- 3.5 The proposed changes generate a sum of approximately £0.5m additional council tax. The new flexibilities are currently in draft

regulation form and may change. If that is the case the council tax base may need to be reset. It is proposed that should any change be required this is made by cabinet at its meeting on 29 January 2012, which is within the 31 January deadline.

- 3.6 A further change for 2013/14 is the introduction of the new localised Council Tax support scheme, which replaces Council Tax Benefit (CTB). CTB did not affect the calculation of the taxbase as it was accounted for as received income. The new scheme is effectively applied as a discount and therefore subsequently reduces the taxbase calculation.
- 3.7 In addition, the Council may wish to consider the issue of Council Tax relief for Special Constables. This operates in other parts of the Humberside Police area as an incentive to recruitment. It is an allowance paid by Humberside Police which is reimbursed by the council. It would cost between £30-50k depending on the numbers meeting the eligibility criteria, which would be met from the Places budget. It would need approval by the Secretary of State which Humberside Police would obtain, and could operate from 1 April 2013.

Tax Base for Parish Tax Setting Purposes

- 3.8 Government has decided that parish councils should not be expected to bear the cost of the localised Council Tax support scheme. This means that for the purposes of calculating parish precepts a gross Council Tax base must be established, not taking account of the localised support scheme. A second taxbase, net of the effect of localised support, must then be calculated for the billing and major precepting authorities.
- 3.9 For the gross taxbase, the resulting figures become the relevant amount for each band in each parish or area expressed as a Band D equivalent. The total Band D equivalent is 53,043.7 (Appendix B) and which represents growth of 3.9% since last year.
- 3.10 Unlike the government's calculation at paragraph 3.1, an adjustment is then made for non-collection. For 2013/14 it is proposed that the projected collection rate is 98.5%. In previous years a rate of 99% has been set as the ultimate expected collection rate. For 2013/14, as a result of the introduction of the new Council Tax Support Scheme, it is recognised that collection from citizens not accustomed to paying Council Tax may be challenging and therefore the assumed collection rate is reduced.
- 3.11 A final adjustment is made, equivalent to a number of band D dwellings, in respect of which the Secretary of State for Defence makes contributions in lieu of council tax for class O exempt dwellings in its area.
- 3.12 The result of these calculations is the Local Tax Base for each parish. These figures are shown for each **parish** in **Appendix B** and add up to

the gross tax base for the whole authority area for 2013/2014 of **52,292.00**.

Tax Base for Council, Fire and Police Authorities

- 3.13 For the purposes of calculating the taxbase for the Council and major precepting authorities, the same process is undertaken. However, for 2013/14, a further adjustment is required to take account of the impact of the Localised Council Tax Support Scheme.
- 3.14 The Localised Council Tax Support Scheme replaces Council Tax benefit and operates as a Council Tax discount, reducing the overall taxbase. The total amount of estimated support to be awarded for the financial year is converted to the equivalent Band D figure and deducted from the gross taxbase. This has been calculated using the tax take and estimated council tax benefit for 2012/13.
- 3.15 Current estimated council tax benefit expenditure for 2012/13 is £13.48m. The benefit caseload for 2012/13 has remained relatively stable and there is no significant increase in expenditure anticipated for 2013/14. The proposed Local Council Tax Support Scheme would generate an additional council tax liability on claimants of £0.573k, so that the net value of the new discount is £12.907m.
- 3.16 Based on the assumption that pensioners will continue to receive the same level of support as they do under current Benefit regulations, and working age claimants will see a reduction in entitlement of 8.5%, there is therefore an estimated reduction in taxbase for 2013/14 to **44,030.2** band D equivalent properties.
- 3.17 The actual amount collected in any year may differ from the estimate so that a surplus or deficit can arise on the Collection Fund. This surplus or deficit is shared between the council and the major precepting authorities and applied in the following year as required by legislation.
- 3.18 The result of this calculation is the taxbase for the Council and the police and fire authorities. These figures are shown in **Appendix C**.

Non Domestic Rates

- 3.19 The council is also responsible for collecting tax on non domestic properties and maintains a register in the same way as for domestic properties, with valuations provided by the Valuation Office.
- 3.20 Since 1990 this tax has been set at a national rate and paid into a national pool administered by the government to be redistributed to local authorities through a formula. From 2013/14 this will change.
- 3.21 A new Business Rate Retention scheme splits the tax take between central and local shares on a 50:50 basis. Local authorities will retain the local share and any proportionate real-terms growth above that figure after allowing for inflation.

3.22 Regulations will now require the council to formally set a business rate taxbase for the area on the same timescale as the council taxbase (by 31 January at the latest). The basis for setting the business rate taxbase, however, has not yet been confirmed; and there is no council meeting scheduled before 31 January 2013. It is therefore proposed that the Director of Policy and Resources is given delegated authority to complete the NNDR1 return in December as required to notify the provisional taxbase to CLG, in consultation with the cabinet member for Policy and Resources; and that the final taxbase is confirmed by cabinet on 29 January 2013.

4. ANALYSIS OF OPTIONS

4.1 The Council, as a billing authority, must calculate a council tax base each year in accordance with council tax regulations. From 2013/14 it must calculate two different tax bases: one for parish councils, and one for itself and major precepting bodies.

4.2 There is discretion in estimating the council tax collection rate. For 2013/14 it is considered prudent to assume a 0.5% decrease in collection rate, recognising the challenge of collection from citizens who may be affected by the introduction of the Local Council Tax Support Scheme.

5. RESOURCE IMPLICATIONS (FINANCIAL,STAFFING,PROPERTY,IT)

5.1 Financial

The recommendations in respect of technical changes are expected to raise additional income of £0.5m per annum.

5.2 Staffing

There are no implications on staffing levels.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION17 – CRIME AND DISORDER, RISK AND OTHER

6.1 Statutory

The Council must calculate the tax base each year in accordance with The Local Authorities (Calculation of Tax Base) Regulations 1992.

6.2 Risk

If collection rates fall there is a risk that a deficit may arise on the fund, which would need to be made up in a subsequent year. However the Fund has a track record of high collection rates, fund surpluses and low levels of council tax write offs which suggest the current risk is only moderate. Allowance has been made for increased difficulties in the collection of tax when the local council tax support scheme replaces Council Tax Benefit by reducing the expected collection rate from 99% to 98.5%.

7. OUTCOMES OF CONSULTATION

7.1 No consultation is required.

8. RECOMMENDATIONS

- 8.1 That the recommended technical changes to council tax discounts set out in paragraph 3.4 are approved
- 8.2 That the tax base for council tax purposes in parishes for 2013/2014, as set out in Appendix B, is approved (total 52,292.0 band D equivalents)
- 8.3 That the council tax base for the council and major precepting bodies in 2013/14, as set out in Appendix C, is approved (total 44,030.02 band D equivalents)
- 8.4 That authority is delegated to the Director of Policy and Resources in consultation with the Cabinet Member Policy and Resources to submit the provisional NNDR1 non domestic taxbase to the Department for Communities and Local Government in December.

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Background Papers used in the preparation of this report

Local Government Finance Act 1992
Local Government Finance Act 2003
Local Government Finance Act 2012
The Local Authorities (Calculation of Council Tax Base Regulations 1992 and 1994)
Valuation Lists

TAX BASE FOR REVENUE SUPPORT GRANT PURPOSES (CTB1 2013/2014)

	Band A disability relief	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
PROPERTIES ON LIST AT 10.09.12		35148	14853	10942	7214	3496	1401	479	27	73560
VALUATION ADJ		-9	0	-1	-1	0	0	-1	0	-12
EXEMPT PROPERTIES		-1411	-398	-281	-121	-51	-32	-10	-3	-2307
LESS DISABLEDS		-128	-83	-111	-77	-47	-31	-29	-14	-520
PLUS DISABLEDS	128	83	111	77	47	31	29	14		520
SUB TOTAL	128	33683	14483	10626	7062	3429	1367	453	10	71241
25% SRD DISCOUNTS	-31	-14676	-4575	-2839	-1211	-499	-170	-49	0	-24050
25% DISREGARD DISCOUNTS	-8	-243	-100	-92	-38	-16	-3	0	0	-500
10% 2ND HOME DISCOUNTS		-207	-103	-89	-39	-24	-17	-6	0	-485
50% DISREGARD DISCOUNTS	-5	-16	-18	-14	-13	-20	-21	-15	0	-122
NO DISCOUNTS	84	18541	9687	7592	5761	2870	1156	383	10	46084
TOTAL ADJUSTED	115.75	29841.75	13253.75	9841.75	6723.75	3278.25	1304.75	430.25	10.00	64800
RATIO	5	6	7	8	9	11	13	15	18	
BAND D EQUIVALENT	64.3	19894.5	10308.5	8748.2	6723.8	4006.8	1884.6	717.1	20.0	52367.8
										MINISTRY OF DEFENCE CONTRIBUTION
										44.0
										TOTAL TAXBASE FOR RSG PURPOSES
										52411.8

Note : This is before technical changes to empty property discounts

GROSS TAX BASE (Whole/Part Areas)				APPENDIX B		
LOCAL TAX BASE						
Parish or Area	Band D equivalent	Reduction 1.5% non collection	MOD Contribution	Local Tax Base	Last year	% change
Alkborough	164.1	2.5		161.6	168.0	-3.79
Amcotts	86.2	1.3		84.9	82.7	2.67
Appleby	239.6	3.6		236.0	235.8	0.09
Ashby Parkland	222.7	3.3		219.4	226.8	-3.28
Barnetby-le-Wold	557.9	8.4		549.5	549.8	-0.05
Barrow-on-Humber	1037.2	15.6		1021.6	1035.1	-1.30
Barton-upon-Humber	3619.3	54.3		3565.0	3541.4	0.67
Belton	1168.4	17.5		1150.9	1152.5	-0.14
Bonby	206.5	3.1		203.4	201.1	1.14
Bottesford	3835.4	57.5		3777.9	3785.0	-0.19
Brigg	1827.9	27.4		1800.5	1790.1	0.58
Broughton	1817.4	27.3		1790.1	1793.1	-0.17
Burringham	242.5	3.6		238.9	237.8	0.45
Burton-upon-Stather	1018.7	15.3		1003.4	1003.5	-0.01
Cadney-cum-Howsham	163.4	2.4		161.0	160.5	0.31
Crowle	1646.9	24.7		1622.2	1612.1	0.63
East Butterwick	50.8	0.8		50.0	50.9	-1.69
East Halton	217.8	3.3		214.5	214.9	-0.17
Eastoft	151.2	2.3		148.9	151.0	-1.37
Elsham	169.3	2.5		166.8	168.5	-1.03
Epworth	1623.8	24.4		1599.4	1587.2	0.77
Flixborough	566.1	8.5		557.6	541.8	2.92
Garthorpe & Fockerby	148.9	2.2		146.7	145.3	0.94
Goxhill	828.5	12.4		816.1	813.8	0.28
Gunness	739.1	11.1		728.0	728.3	-0.04
Haxey	1744.8	26.2		1718.6	1713.1	0.32
Hibaldstow	839.1	12.6		826.5	814.3	1.50
Holme	41.6	0.6		41.0	41.7	-1.74
Horkstow	57.6	0.9		56.7	55.8	1.68
Keadby with Althorpe	551.7	8.3		543.4	534.5	1.67
Kirmington & Croxton	141.9	2.1		139.8	140.2	-0.31
Kirton-in-Lindsey	1072.2	16.1	44.0	1100.1	1071.5	2.67
Luddington	128.2	1.9		126.3	130.1	-2.94
Manton	43.2	0.6		42.6	42.2	0.83
Melton Ross	73.0	1.1		71.9	73.6	-2.30
Messingham	1366.5	20.5		1346.0	1345.1	0.07
New Holland	293.6	4.4		289.2	287.6	0.55
North Killingholme	91.5	1.4		90.1	91.3	-1.28
Owston Ferry	458.1	6.9		451.2	452.5	-0.28
Redbourne	169.0	2.5		166.5	167.0	-0.32
Roxby-cum-Risby	166.0	2.5		163.5	160.8	1.69
Saxby-all-Saints	94.8	1.4		93.4	93.3	0.08
Scawby-cum-Sturton	851.2	12.8		838.4	841.3	-0.34
Scunthorpe	17791.0	266.9		17524.1	17423.5	0.58
South Ferriby	222.5	3.3		219.2	219.5	-0.15
South Killingholme	333.4	5.0		328.4	327.4	0.31
Thornton Curtis	105.8	1.6		104.2	104.8	-0.56
Ulceby	588.8	8.8		580.0	581.2	-0.21
West Butterwick	267.7	4.0		263.7	264.3	-0.23
West Halton	126.1	1.9		124.2	121.3	2.40
Whitton	88.9	1.3		87.6	86.7	1.00
Winteringham	353.0	5.3		347.7	346.3	0.41
Winterton	1504.1	22.6		1481.5	1469.4	0.83
Wootton	189.0	2.8		186.2	188.1	-1.03
Worlaby	210.3	3.2		207.1	206.0	0.56
Wrawby	546.2	8.2		538.0	534.3	0.69
Wroot	183.3	2.7		180.6	181.5	-0.52
Whole Area	53043.7	795.7	44.0	52292.0	52087.2	0.39

Note: This taxbase derives from Appendix A and includes changes in the number and values of properties, the discounts applied and collection rate assumptions

APPENDIX C

Band	A dis	A	B	C	D	E	F	G	H	MOD	Total
	5	6	7	8	9	11	13	15	18		
Proportion of Band D	0.6	0.7	0.8	0.9	1.0	1.2	1.4	1.7	2.0		
Est. 13/14 Band D	61.0	20,136.0	10,446.9	8,943.9	6,775.9	4,027.0	1,908.2	723.3	21.5	44.0	53,087.7
Adjust for collection rate (98.5%)	-0.9	-302.0	-156.7	-134.2	-101.6	-60.4	-28.6	-10.8	-0.3		-795.7
Band D for local preceptors	60.1	19,834.0	10,290.2	8,809.7	6,674.3	3,966.6	1,879.6	712.5	21.2	44.0	52,292.0
Estimated reduction due to discount	-18.3	-6,008.5	-1,157.8	-659.7	-240.0	-117.0	-49.4	-11.1	0.0	0.0	-8,261.8
Band D for Major Preceptors	41.8	13,825.5	9,132.4	8,150.0	6,434.3	3,849.6	1,830.2	701.4	21.2	44.0	44,030.2