

North Tyneside Council Report to Cabinet Date: 24 January 2018

ITEM 3

Title: Calculation of the 2018/19
Council Tax Base for North
Tyneside Council

Portfolios: Finance & Resources

Cabinet Member: Councillor Ray Glindon

Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Head of Finance (Chief Finance Officer) (Tel: 643 5701)

Wards affected: All

1.1 Executive Summary:

The Council Tax Base is an annual statutory calculation, used to determine the level of Council Tax for individual properties. The Tax Base represents the number of properties which will be subject to Council Tax, and which are expressed in terms of their Band D equivalents, after allowing for the effect of discounts and exemptions and reliefs.

The agreed Tax Base for North Tyneside Council for 2018/19 will be used in the 2018/19 Budget and Council Tax calculation. The Tax Base is also used as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.

The 2018/19 Council Tax Base calculation and recommendations below are based on the changes to the Council Tax Support Scheme for 2018/19, based on the Council Tax Support for working age claimants being calculated on 85.0% of Council Tax liability, and the outlined Housing Benefit changes within the Scheme.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) approves this report on the calculation of North Tyneside's Council Tax Base for 2018/19 and,
- (2) pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 agrees that the assumed Council Tax collection rate for 2018/19 remains at 98.50% and therefore the amount calculated by North Tyneside Council as its Council Tax Base for 2018/19 shall be 59,048 Band D equivalent properties.

1.3 Forward plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 11 December 2017.

1.4 Council plan and policy framework:

- 1.4.1 This Tax Base calculation is a key element of the Budget Setting process and therefore is a key strand of the Budget and Policy Framework.

1.5 Information - Explanation of the Council Tax Base Calculation

- 1.5.1 As noted earlier, the Council Tax Base is an annual statutory calculation, used to determine the level of Council Tax for individual properties.
- 1.5.2 The Welfare Reform Act 2012 abolished Council Tax Benefit from 31 March 2013 and required that Local Authorities had to create a localised Council Tax Support Scheme with effect from 1 April 2013. Therefore, as with the last five years, for the calculation of the 2018/19 Council Tax Base, Council Tax Support takes the form of reductions.
- 1.5.3 The calculation of the 2018/19 Council Tax Base has been prepared in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, which came into force on 30 November 2012.
- 1.5.4 The Local Government Finance Act 2012, which received Royal Assent on 31 October 2012 set out changes to Council Tax legislation and provided the statutory framework under which the decisions on local discounts and second homes may be made.
- 1.5.5 The 2018/19 Council Tax Base set out within this report is based on the North Tyneside Council Local Council Tax Support Scheme for 2018/19 agreed by full Council at its meeting held on 18 January 2018.

Tax Base Calculation for 2018/19

- 1.5.6 The detailed Council Tax Base calculation for North Tyneside for 2018/19 is attached as Appendix A to this report, together with an explanation of the specific elements that form part of this calculation. Within this calculation, adjustments have been made to reflect the effect of exempt properties, disabled relief and discounts. Specifically these adjustments include:
- The estimated number of dwellings to be demolished during 2018/19;
 - Assumed growth from anticipated New Build properties during 2018/19 based on current estimates from the Planning Department;
 - The estimated number of dwellings where the liable person qualifies for a disabled reduction;
 - The estimated number of exempt dwellings during 2018/19;
 - The estimated impact of the Council Tax Support scheme in 2018/19; and, the estimated number of dwellings where the liable person qualifies for a discount (25% for single person households and various other disregards and exemptions).
- 1.5.7 Applying the adjustments listed in paragraph 1.5.6 has the effect of reducing the total number of properties to a common base for each band, in terms of full year equivalents.
- 1.5.8 The Council Tax Base Regulations ensure that the Council Tax Base for an area takes into account the effect of disability reductions in respect of dwellings which fall within Band A. They introduced an additional 'alternative valuation band' to allow Band A properties to qualify for a disabled reduction. Previously, properties adapted to meet the needs of a disabled person were charged at a rate equal to the next lowest valuation band, so for example a qualifying Band D property would be charged at a Band C rate, but this hadn't applied to Band A properties. Instead of paying the normal Band A charge (six-ninths of the Band D) a qualifying Band A property is now charged five-ninths of the Band D charge. For the purpose of the Council Tax Base calculation it is now necessary to show Band A properties which qualify for a disabled reduction as if it were an additional valuation band. Deductions are then made for exempt dwellings and the estimated impact of the Council Tax Support scheme for 2018/19, as set out earlier within this report.
- 1.5.9 In order to arrive at the Council Tax Base calculation for 2018/19, the number of dwellings within each of the Council Tax Bands, A – H, have been converted to their Band D equivalents, using the appropriate proportions, shown in Table 1 below. The result of this calculation for 2018/19 is to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 59,897.

Table 1: Council Tax Band Proportions

Council Tax Band	Proportion of Band D
Band A Entitled to Disabled Relief Reduction	5/9 (55.6%)
Band A	6/9 (66.7%)
Band B	7/9 (77.8%)
Band C	8/9 (88.9%)
Band D	9/9 (100.0%)
Band E	11/9 (122.2%)
Band F	13/9 (144.4%)
Band G	15/9 (166.7%)
Band H	18/9 (200.0%)

Assumed Council Tax Collection Rate

- 1.5.11 The next stage of the Council Tax Base calculation involves making a deduction for the non-collection of Council Tax. This non-collection element of the calculation is made in respect of the amounts that are legally due, but which, for varying reasons, may not be collected. The assumed Council Tax collection rates for North Tyneside have improved significantly since 1993/94, when the assumed collection rate was 95%. The assumed North Tyneside Council Tax collection rates for each year from when Council Tax was introduced in 1993/94 are illustrated in Table 2 below:

Table 2: Assumed North Tyneside Council Tax Collection Rates Since 1993/94

Year	Assumed North Tyneside Council Tax Collection Rate
1993/94	95.00%
1994/95	96.00%
1995/96	96.50%
1996/97	96.625%
1997/98	96.75%
1998/99	97.00%
1999/00	98.00%
2000/01	98.125%
2001/02	98.25%
2002/03	98.60%
2003/04	98.75%
2004/05	98.875%
2005/06 – 2007/08	99.00%
2008/09 – 2010/11	99.10%
2011/12 – 2012/13	99.20%
2013/14 – 2017/18	98.50%

- 1.5.12 A fundamental issue for the Council Tax Base calculation is the assumed percentage Council Tax collection rate to apply. As can be seen in Table 2 above, the Authority's performance on Council Tax collection has been improving for many years, reaching a peak of 99.20% in setting the Council Tax Base for

2012/13. However, since 2013/14, a lower collection rate of 98.50% was proposed and agreed. This lower rate of 98.50% was set to reflect the estimated impact of the Council Tax Support Scheme, the estimated impact of other Welfare Reform changes and changes to Exemptions and Discounts applied from 2013/14.

1.5.13 Council Tax in year collection remains strong. Council Tax collection has remained consistent in each of the last three financial years. This is only however an approximate indicator of the assumed council tax performance, given the significant time lag effect between in year and ultimate council tax collection performance.

1.5.14 Having considered various issues in relation to the collection rate for 2018/19, namely:

- 1) Current council tax collection rates
- 2) The estimated impact of the Council Tax Support Scheme
- 3) The estimated impact of other Welfare Reform changes
- 4) The impact of previous and proposed changes to Exemptions and Discounts.
- 5) Change to council tax rate (5 or 6%)

It is proposed that an assumed Council Tax Collection Rate of 98.50% is set as part of the 2018/19 Council Tax Base calculation. This is felt prudent as the risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Council Tax element of the Collection Fund, which in turn will have to be funded by the Authority's General Fund. This calculation is reviewed on an annual basis.

1.5.15 The final stage of the Council Tax Base calculation involves adding an estimated amount in respect of contributions in lieu of Council Tax to be made to the Authority, which is expressed in terms of the number of Band D equivalent properties. For 2018/19 this figure for North Tyneside Council which relates to Ministry of Defence properties is 50 Band D equivalent properties.

Resulting Council Tax Base Calculation for 2018/19

1.5.16 The 2018/19 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu is 59,048 Band D equivalent properties. This equates to an increase of 846 Band D equivalent properties compared to the 2017/18 figure.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

1.6.1 Whilst the annual Council Tax Base calculation is a statutory calculation, there is always discretion to amend the assumed Council Tax collection rate each year, based on experience and actual / anticipated collection rates. Changes to Exemptions and Discounts and the Local Council Tax Support Scheme can also be made. Changes to Exemptions and Discounts and the Local Council Tax Support

Scheme are a matter reserved as a decision for Council. As noted earlier in this report the Local Council Tax Support Scheme for 2018/19 was set by Council on 18 January 2018. Option 1 in this report is:

- Setting the 2018/19 Council Tax Base for North Tyneside Council using a assumed council tax collection rate of 98.50%;
- Noting the Council Tax Support Scheme agreed at the full Council meeting held on 18 January 2018.

Option 2

- 1.6.2 The only available option for Cabinet following the setting of the Local Council Tax Support scheme by full Council, are options for Cabinet to amend the assumed Council Tax collection rate. As noted earlier within this report, the current collection rate of 98.50% is proposed to remain unchanged for 2018/19. An increase in the collection rate would increase the Council Tax Base and a reduction in the collection rate would reduce the Council Tax Base. The impact of different Council Tax collection rates are shown in Table 3 below. For 2018/19 each 0.1% change to the collection rate would change the Council Tax Base by approximately 60 Band D equivalent properties which would equate to a change in resources of approximately £0.098m.

Table 3: Illustrative Example - Impact of Changing the Council Tax Collection Rate

Council Tax Collection Rate	Revised Council Tax Base for 2018/19	Change in Resources for 2018/19
98.30%	58.928	Reduction in resources of £0.183 million
98.40%	58.988	Reduction in resources of £0.091 million
98.50%	59.048 (Proposed)	No Change
98.60%	59.108	Increase in resources of £0.091 million
98.70%	59.168	Increase in resources of £0.183 million

1.7 Reasons for recommended option:

- 1.7.1 Option 1 is recommended for the following reasons:

Council Tax Collection Rate

The proposed 98.50% Council Tax collection rate, no change on the 2017/18 collection rate is felt to be prudent for the reasons set out in paragraph 1.5.14 of this report.

The risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Council Tax element of the Collection Fund, which in turn will

have to be funded by the Authority's General Fund. This collection rate is reviewed as part of the annual Council Tax Base calculation, and the 98.50% collection rate will be reviewed in determining the Council Tax Base for 2019/20.

1.8 Appendices:

Appendix A: Detailed Council Tax Base calculation for North Tyneside Council for 2018/19.

1.9 Contact officers:

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1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (1) [Local Government Finance Act 1992](#)
- (2) [Localism Act 2011](#)
- (3) [Local Government Finance Act 2012](#)
- (4) [Local Authorities \(Calculation of Council Tax Base\) \(England\) Regulations 2012.](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

This report details the 2018/19 Council Tax Base calculation. This annual calculation is a key component of the Council Tax and Budget Setting Process. The Council Tax Base is used as a denominator within the annual Council Tax and Budget calculation to determine the exact level of Council Tax to be charged for each valuation band for a given year. The charge for each Council Tax Band (A-H) for 2018/19 is calculated by dividing the amount of Council Tax income required by the agreed 2018/19 Council Tax Base for North Tyneside. It is also used as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.

As noted previously, the change to the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 produced a fundamental change to the Council

Tax Base calculation. As with 2017/18, for the purposes of the 2018/19 Council Tax Base, Council Tax Support takes the form of reductions.

These regulations result in the proposed Council Tax Base calculation for 2018/19 which represents an increase of 846 Band D equivalents compared with 2017/18.

The items noted in paragraph 1.5.14 of this report have all been considered in determining the proposed assumed Council Tax collection rate for 2018/19 of 98.50%.

This 2018/19 Council Tax Base figure included within this report will be built into the 2018/19 final Council Tax Requirement and Budget proposals.

2.2 Legal

Under the Local Government Finance Act 1992, as amended, Cabinet is required to make an annual resolution for calculating the Council Tax Base and to notify this figure to major precepting authorities, which in the case of North Tyneside Council are, the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority during the period from 1 December to 31 January. Once the Tax Base for 2018/19 has been set, it cannot be altered after 31 January 2018.

The determination of the Council Tax Base is the responsibility of Cabinet in accordance with Section 67(2A) of the Local Government Finance Act 1992 as amended.

2.3 Consultation/community engagement

Consultation on this report has taken place with the Cabinet Member for Finance and Resources. One of the key elements that determine the 2018/19 Council Tax Base Calculation, namely the proposed Council Tax Support scheme for 2018/19 has been the subject of specific consultation. This consultation took place from 13 September 2017 to 31 October 2017. The results of this consultation were set out within the 2018/19 Council Tax Support Scheme Report considered by Cabinet on 11 December 2017 and within the report considered by full Council at its meeting held on 18 January 2018.

2.4 Human rights

The proposals within this report do not themselves have direct implications in respect of Human Rights.

2.5 Equalities and diversity

The proposals within this report do not themselves have direct implications in respect of equalities and diversity. In relation to a key component of the 2018/19 Council Taxbase calculation, namely changes to the Council Tax Support scheme, an Equality Impact Assessment has been carried out on the proposed 2018/19 Council Tax Support Scheme.

2.6 Risk management

Appropriate risks have been considered in determining the proposed Council Tax collection rate, as noted within the report, which forms part of the overall Council Tax Base calculation for 2018/19.

2.7 Crime and disorder

The proposals within this report do not themselves have direct implications for crime and disorder.

2.8 Environment and sustainability

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive x
- Head(s) of Service x
- Mayor/Cabinet Member(s) x
- Chief Finance Officer x
- Monitoring Officer x
- Head of Corporate Strategy x

NORTH TYNESIDE COUNCIL

COUNCIL TAX BASE CALCULATION - 2018/19

Row		BAND A Entitled To Disabled Relief Reduction	BAND A Value Range up to £40,000 (See Note 1)	BAND B Value Range £40,001 to £52,000	BAND C Value Range £52,001 to £68,000	BAND D Value Range £68,001 to £88,000	BAND E Value Range £88,001 to £120,000	BAND F Value Range £120,001 to £160,000	BAND G Value Range £160,001 to £320,000	BAND H Value Range Over £320,000	TOTAL
1	Properties as per List 30/11/17	0	49,993	15,455	19,029	7,671	3,704	1,201	350	40	97,443
2	Demolished Dwellings	0	-15	0	0	0	0	0	0	0	-15
3	Assumed Growth on New Build Properties	0	213	85	112	48	23	8	2	0	490
4	Disabled Relief	162	-85	34	-59	-29	-9	-5	14	-23	0
5	Exempt Dwellings or 100% discount.	0	-867	-215	-270	-69	-29	-11	-5	-3	-1,469
6	Impact of Council Tax Support Scheme	-57	-10,887	-1,222	-758	-152	-42	-11	-2	0	-13,131
		105	38,352	14,137	18,054	7,469	3,647	1,182	359	14	83,318
7	Less: Discounts at 25%	-14	-6,145	-1,445	-1,278	-389	-138	-46	-24	-2	-9,481
		91	32,207	12,692	16,776	7,080	3,509	1,136	335	12	73,837
8	Proportion of Band D Equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
9	Band D Equivalents	50	21,471	9,871	14,912	7,080	4,289	1,640	559	24	59,897
10	Total Number of 25% Discounts	52	24,558	5,762	5,097	1,547	544	173	53	2	37,788
11	Total Number of 50% Discounts	2	10	8	7	5	4	7	23	3	69
12	Total Number of Second Home Properties	0	199	104	77	41	7	4	3	0	435

Tax Base Calculation	BAND D EQUIVALENTS	COLLECTION RATE	COUNCIL TAXBASE
Tax Base Calculation	59,897	98.50%	58,998
Add Payments in Lieu			50
2018/19 Council Tax Base			59,048

Note 1

The Property Values for each Band are based on the open market capital value of the dwelling on 1 April 1991.

Council Tax Base Calculation - Explanation

Row (1) shows the number of chargeable dwellings in the Valuation List at 30 November 2017, as compiled by the District Valuer.

Row (2) shows the estimated number of dwellings which will be demolished during the year 2018/19.

Row (3) shows the assumed growth on new build properties during 2018/19.

Row (4) shows the number of dwellings which have been dropped into the next lower Band because of having facilities for the disabled. Properties with certain facilities for meeting the needs of a disabled person may qualify for a disabled reduction. The effect of this is a drop into the next lower Band. This row adjusts for the resulting increase in the number of properties shown in the next lower band and the resulting decrease from the actual band. Qualifying properties in Band A, enjoy a reduction in council tax equivalent to 1/9 of a Band D charge.

Row (5) shows the estimated number of dwellings, which will be exempt during the year 2018/19. Various categories of exemption exist including: property occupied entirely by students, property occupied by persons under 18 etc. This estimate is based on figures produced from the Valuation List at 30 November 2017 and from information currently held in the council tax system.

Row (6) shows the estimated impact of the Council Tax Support Scheme on the 2018/19 Council Tax Base.

Row (7) shows the estimated number discounts equated to a full charge (i.e. four discounts @ 25% = one full charge). This is an estimate of discounts for single people and discounts for other categories such as for care workers, hospital patients, the severely mentally impaired etc.

Row (8) shows the appropriate multiplier for the Band in question.

Row (9) shows the number of properties within each Council Tax Band A - H which have been converted to their Band D equivalents using the appropriate multiplier shown in Row 8.

Row (10) shows the total number of 25% discounts which are referred to in Row 7.

Row (11) shows the total number of 50 % discounts which are referred to in Row 7.

Row (12) shows the total number of second home properties