

## EXECUTIVE BOARD – 22 JANUARY 2019

<b>Subject:</b>	Council Tax – Determination of the 2019/20 Tax Base
<b>Corporate Director(s)/Director(s):</b>	Laura Pattman, Strategic Director of Finance
<b>Portfolio Holder(s):</b>	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Finance, Resources and Commercial services
<b>Report author and contact details:</b>	Antony Snape, Team Leader, Revenues and Benefits Business Support 0115 876 3890 <a href="mailto:antony.snape@nottinghamcity.gov.uk">antony.snape@nottinghamcity.gov.uk</a>
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a) <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
<b>and/or</b>	
(b) Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Type of expenditure:</b>	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
<b>Total value of the decision:</b> Nil	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> Consultation throughout the budget process	
<b>Relevant Council Plan Key Theme:</b>	
Strategic Regeneration and Development	<input type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input type="checkbox"/>
Community Services	<input checked="" type="checkbox"/>
Energy, Sustainability and Customer	<input type="checkbox"/>
Jobs, Growth and Transport	<input type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
This report sets out the process and calculations to determine the Council Tax base for 2019/20 in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012. The Council Tax base figure is used in the calculation of the Council Tax to provide resources for the delivery of the Council's vision, values and objectives. Council Tax revenue funds service delivery.	
<b>Exempt information: State 'None' or complete the following</b>	
None	
<b>Recommendation(s):</b>	
<b>1</b> To approve a tax base of 66,766 for 2019/20	
<b>2</b> To agree that a collection rate of 97.5% be used in the determination of the 2019/20 tax base	
<b>3</b> To agree an increase in the Council Tax Premium levied on long term empty properties from 50% additional Council Tax to 100% from 1 <sup>st</sup> April 2019 as part of these calculations	

### **1 REASONS FOR RECOMMENDATIONS**

- 1.1 The City Council and precepting authorities (i.e. Police and Fire Authorities) will use the tax base figure in their budget processes in February 2019 to determine the level of Council Tax for 2019/20. This report estimates future changes to the current tax base

during 2019/20 and applies an appropriate anticipated collection rate for the period, taking into account collection trends and the prevailing economic environment, to determine the tax base figure to be set.

- 1.2 From 1<sup>st</sup> April 2019 an amendment to S11B of the Local Government Finance Act 1992 will allow Local Authorities to increase the Council Tax Premium that is levied on properties empty and unfurnished for over two years from a maximum of an additional 50% of the Council Tax charge up to 100% at such properties. A determination is required to approve a change to the maximum charge of 100%. This will encourage such properties to be brought back into occupation, or will generate additional revenue where this is not successful.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 Nottingham City Council is a “billing authority” for Council Tax purposes. The Local Government Finance Act 1992 requires the billing authority to determine the Council Tax base to be used in the calculation of the level of Council Tax. The tax base must be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 and be determined between 1 December and 31 January each year. The stages in the calculation of the tax base are as follows (all references in italics refer to paragraph 2.6 of this report):
- for each of the eight council tax valuation bands (A to H) a ‘relevant amount’ is calculated. This is the number of dwellings in each valuation band adjusted to take account of the effect of exemptions and discounts and disabled relief. This figure is expressed as the equivalent number of band D dwellings and reflects the situation at 1 October 2018 (*figure 1*);
  - this figure is then adjusted to reflect any estimated increases or decreases in the number of dwellings, exemptions and discounts throughout the year ahead (*figure 2*). An additional adjustment is also made for the Council Tax Support scheme (CTSS) which replaced Council Tax benefit from 1 April 2013 as a Council Tax discount (*figure 3*). These adjustments are detailed in Appendix 2;
  - the revised amount is expressed as the equivalent number of band D dwellings (*figure 4*). It is then multiplied by our estimated collection rate for the year (*figure 5*);
  - any contribution paid in lieu in respect of Ministry of Defence (MoD) properties, which are exempt from the Council Tax, is added (*figure 6*);
  - the result is the tax base for the authority (*figure 7*).
- 2.2 In October 2018 the annual CTB1 tax base return was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) showing the total number of band D equivalent properties subject to Council Tax at that time. At 1 October 2018 this was 83,512 (*figure 1*). An extract is at Appendix 1 and this figure is shown on line 23, column 10.
- 2.3 Potential changes that may affect the number of chargeable dwellings and the size of the tax base over time include:
- new properties and properties changing to domestic use
  - demolitions, mergers and properties changing to commercial use
  - increases or decreases in the number of discounts
  - changes to the value of discounts
  - increases or decreases in the number of exemptions;
  - successful appeals against banding levels and the ‘knock on’ effect of appeals on surrounding properties;
  - Council Tax Support.

- 2.4 In setting the tax base for 2018/19 a collection rate of 97.0% was used. For 2019/20 this collection rate has been increased to 97.5% to reflect estimated collection levels associated with CTSS based on recent analysis of collection trends. This establishes the tax base at 66,766 (*figure 5*). There are no properties owned by the MoD for which contributions in lieu are made. Additional information on how the tax base has been calculated is provided in the supplementary notes in Appendix 3.
- 2.5 From 1st April 2013 Local Authorities were given discretionary power to levy a Council Tax Premium on properties unoccupied and unfurnished for over two years to encourage such properties to be brought back into use. This was set at a maximum of 50% additional council tax at properties that fitted the criteria and Nottingham City Council adopted this policy at that time. From 1<sup>st</sup> April 2019 the legislation is changing to allow the Premium to be increased by up to 100% additional council tax. 478 properties are currently subject to the Council Tax Premium.
- 2.6 In summary, a tax base figure of 66,766 is recommended, calculated as follows:

	Figure	2019/20	2018/19
Number of chargeable dwellings	1	83,512	83,061
Add adjustment to chargeable dwellings for discounts and exemptions	2	(415)	(526)
Less adjustments for Council Tax Support	3	(14,619)	(15,124)
Adjusted number of chargeable dwellings	4	<b>68,478</b>	<b>67,411</b>
Multiplied by collection rate (97.5% 2019/20; 97.0% 2018/19)	5	66,766	65,389
MoD Contributions	6	0	0
<b>Council Tax Base</b>	7	<b>66,766</b>	<b>65,389</b>

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 None, as the council is legally required to set a Council Tax base using objective calculations

### **4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 4.1 The tax base of 66,766 has increased in 2019/20 from 65,389 last year. This is mainly due to a rise in the anticipated number of new properties, the proposed increase in the empty property Premium and a revised estimate of CTSS due to reduced caseload. These changes will increase the amount of Council Tax raised.
- 4.2 The overall collection rate is estimated to be 97.5% reflecting a marginal improvement in forecasts following the impact of the introduction of the CTSS in 2013.
- 4.3 The tax base is a key element in setting the level of Council Tax. Value for money is assessed in all areas of service provision

**5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 If the overall actual collection rate is lower than the assumed rate used here, this could result in a Collection Fund deficit, requiring an increase in the following year's Council Tax. A higher collection rate would increase the surplus and potentially marginally reduce the following year's Council Tax level. The collection rate of 97.5% reflects an analysis of arrears recovery, past trends and forecasting and the collection risk associated with the CTSS and empty property Premium.
- 5.2 The setting of the tax base by 31 January 2019 is a legal requirement.

**6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)**

- 6.1 Not applicable

**7 SOCIAL VALUE CONSIDERATIONS**

- 7.1 Not applicable

**8 REGARD TO THE NHS CONSTITUTION**

- 8.1 Not applicable

**9 EQUALITY IMPACT ASSESSMENT (EIA)**

- 9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because this report does not set out changes to services or functions. Any decision on Council Tax rates will be the subject of a subsequent report setting out the Council's proposed budget and this will incorporate a detailed equality impact assessment

**10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

- 10.1 None

**11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

- 11.1 None

## APPENDIX 1

**CTB1 TAXBASE RETURN (OCTOBER 2018)**[illegible]

## APPENDIX 2

### ADJUSTMENTS TO NUMBER OF CHARGEABLE DWELLINGS

	Disabled in BAND A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
Number of band D equivalent dwellings on CTB1 Return (Line 21)	129.3	47649.3	13603.9	11280.4	5642.3	2591.1	1393.9	1076.3	145.0	83511.5
<b>ADJUSTMENTS</b>										
New properties (note 1)		558	156	112	45	16	7	5	1	900
Deletions (note 2)		-110	-25	-8	-2	-2	-2	-1	0	-150
Discounts (note 3)		-186	-34	-19	-7	-2	-1	-1	0	-250
Empty Property Premium (note 4)		147	25	14	7	4	1	1	1	200
Exemptions (note 5)		-489	-401	-209	-77	-17	-4	-2	-1	-1200
Appeals - reductions (note 6)			-23	-16	-7	-2	-1	-1	0	-50
Appeals - increases (note 7)		23	16	7	2	1	1	0		50
Knock On Effect - reductions (note 8)			-46	-32	-14	-5	-2	-1	0	-100
Knock On Effect - increases (note 9)		46	32	14	5	2	1	0		100
Council Tax Support (note 10)		-18465	-2059	-588	-143	-23	-7	-2	0	-21287
<b>TOTAL ADJUSTMENTS</b>		<b>-18476</b>	<b>-2359</b>	<b>-725</b>	<b>-191</b>	<b>-28</b>	<b>-7</b>	<b>-2</b>	<b>1</b>	<b>-21787</b>
Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
BAND D EQUIV OF ADJUSTMENTS		-12317.3	-1834.8	-644.4	-191	-34.2	-10.1	-3.3	2	-15033.2
<b>TOTAL BAND D EQUIVALENT DWELLINGS</b>	<b>129.3</b>	<b>35332.0</b>	<b>11769.1</b>	<b>10636.0</b>	<b>5451.3</b>	<b>2556.9</b>	<b>1383.8</b>	<b>1073.0</b>	<b>147.0</b>	<b>68478.3</b>

### COUNCIL TAXBASE ESTIMATE 2019/20: SUPPLEMENTARY NOTES

#### (1) New properties

Several new property developments are in progress across the City. Around 1400 domestic properties are planned for future construction or are nearing completion. Only a proportion of these will be completed and banded and become liable for council tax for the full year during 2019/20 however, so an increase equivalent to 900 new properties has been estimated for this period and this has been split across each of the bands based on the current proportion of properties in each band. A proportion of these will also be exempt from Council Tax as purpose built student accommodation.

#### (2) Deletions

Deletions relate to demolitions and properties that either merge to become single assessments or change from domestic use. There is no major demolition work planned for 2019/20 so 150 properties are estimated to be removed from the tax base during the next financial year to reflect general activity in this area.

#### (3) Single Person Discounts and Disregards

These discounts reduce the council tax payable by 25%.

Additional single person discounts will be granted next year at new properties, for household changes and for new occupiers moving into the City. There will also be discount cancellations as existing discounts are subject to ongoing monitoring and review. It is estimated that an additional net 1000 single person discounts will be awarded in 2019/20, which at 25% of the council tax charge equates to a reduction in the tax base of 250 full properties.

#### (4) Empty Property Premium

Properties empty and unfurnished for more than two years are subject to a Premium or surcharge equivalent to an extra 50% of the council tax charge. From 01/04/19 the legislation is changing to allow for the Premium to be increased up to 100% of the Council Tax charge and it is proposed that the City Council will adopt this change. There are estimated to be 400 properties subject to the Premium in 2019/20 so an additional 50% charge will be the equivalent to council tax from an extra 200 properties.

#### (5) Exemptions

Most exemptions are granted for properties occupied by students. At the time of the CTB1 Return in October 2018, applications for student exemptions were still being received for the new academic year and an increase from the level at this time is anticipated. A number of the new properties in note (1) will also be student properties entitled to full council tax exemption.

An allowance of an extra 1200 exemptions has been made, split on a pro rata basis across each of the bands based on the current number of exempt properties in each band.

(6) Appeals - reductions

Taxpayers may appeal against their council tax band to the Valuation Office Agency. Presently there are a low number of appeals outstanding and an allowance for 50 successful appeals has been made to reflect average activity in this area. These have been split across bands B to H on a pro rata basis.

(7) Appeals - increases

A successful appeal would result in a corresponding increase in the number of properties in the band below.

(8) Knock on effect - reductions

A successful appeal could result in banding reductions in surrounding properties. To account for this an allowance of 100 has been made split across bands B to H on a pro rata basis.

(9) Knock on effect - increases

Any further reductions would again increase the number of properties in the bands below.

(10) Council Tax Support

Council Tax Support takes the form of council tax discount. The amount granted in 2019/20 is expected to be lower than the level estimated in the last tax base report.

It is estimated that 21,287 discounts for Council Tax Support will be granted in 2019/20, reduced from 22,013 in 2018/19.