

EXECUTIVE BOARD – 21 JANUARY 2014

Subject:	Council Tax – Determination of the 2014/15 Tax Base	
Corporate Director(s)/ Director(s):	Carole Mills, Deputy Chief Executive & Corporate Director for Resources Tony Kirkham – Director of Strategic Finance	
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration	
Report author and contact details:	Antony Snape, Team Leader, Revenues & Benefits Business Support, 0115 876 3890 antony.snape@nottinghamcity.gov.uk	
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Reasons: Expenditure <input type="checkbox"/> Income <input checked="" type="checkbox"/> Savings <input type="checkbox"/> of £1,000,000 or more taking account of the overall impact of the decision	Revenue <input checked="" type="checkbox"/> Capital <input type="checkbox"/>	
Significant in terms of its effects on communities living or working in an area consisting of two or more wards in the City	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Subject to call-in <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Total value of the decision: Nil	
Relevant Council Plan Strategic Priority:	Wards affected:	
World Class Nottingham <input type="checkbox"/>	ALL	
Work in Nottingham <input type="checkbox"/>		
Safer Nottingham <input type="checkbox"/>		
Neighbourhood Nottingham <input type="checkbox"/>		
Family Nottingham <input type="checkbox"/>		
Healthy Nottingham <input type="checkbox"/>		
Leading Nottingham <input checked="" type="checkbox"/>		
	Date of consultation with Portfolio Holder(s): 9 January 2014	
Summary of issues (including benefits to citizens/service users): This report sets out the process and calculations to determine the Council Tax base for 2014/15 in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012. The Council Tax base is used in the calculation of the Council Tax which provides resources for delivery of the Council's vision, values and objectives. Council Tax revenue funds service delivery.		
Recommendation(s):		
1 To approve a tax base of 59,949 2014/15, subject to Full Council approving the Council Tax Support Scheme on 27 January 2014. If Council makes amendments to the Council Tax Support Scheme which impact on the tax base, to delegate authority to the Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration to approve the amended tax base.		

1 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

1.1 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. The stages in the calculation of the tax base are as follows (all references in italics refer to paragraph 1.5 of this report):

§ for each of the eight council tax valuation bands 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 7 October 2013 (*figure 1*);

- § this amount 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 has also been 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*)
- § the 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*).

1.2 For Revenue Support Grant purposes a CTB1 tax base return was submitted to the Department for Communities and Local Government (DCLG) in October 2013 showing the total number of band D equivalent properties subject to Council Tax at that time. At 7 October 2013 this was 78,289 (*figure 1*). An extract is at **Appendix 1** and this figure is shown on line 23, column 10.

1.3 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;
- § 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.

1.4 In determining the tax base for 2013/14 a collection rate of 96.5% was used. For 2014/15 a lower collection rate of 96.0% has been applied to reflect estimated collection levels associated with changes to the CTSS, as less support will be provided in 2014/15. This establishes the tax base at 59,949 (*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 the appendix at the end of this report.

1.5 In summary, a tax base figure of 59,949 is recommended, calculated as follows:

	Figure	2014/15	2013/14
Number of chargeable dwellings	1	78,289	78,599
Add adjustment to chargeable dwellings for discounts and exemptions	2	1,356	734
Less adjustments for Council Tax Support	3	(17,198)	(20,488)
Adjusted number of chargeable dwellings	4	62,447	58,845
Multiplied by collection rate (96.0% 2014/15; 96.5% 2013/14)	5	59,949	56,786
MoD Contributions	6	0	0
Council Tax Base	7	59,949	56,786

2 REASONS FOR RECOMMENDATIONS

- 2.1 The tax base estimates future changes to the current tax base during 2014/15 and applies an appropriate anticipated collection rate for the period, which takes into account collection trends and the prevailing economic environment. The tax base figure will be used by the City Council and the precepting authorities (i.e. Police and Fire Authorities) in their budget processes in February 2014 to determine the level of Council Tax for 2014/15.

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 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

- 4.1 The tax base of 59,949 has increased in 2014/15 from 56,786 last year mostly due to proposed changes to the CTSS which will increase the amount of Council Tax raised.
- 4.2 The adjustment for CTSS has been calculated assuming that the revised scheme approved at Executive Board on 17 December 2013 is formally approved at Full Council in January 2014.
- 4.3 The overall collection rate is estimated to be 96.0%. This is due to the increased collection difficulties created by the introduction of the Council Tax Support Scheme in 2013.
- 4.4 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 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT 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 96.0% reflects an analysis of arrears recovery, past trends and forecasting and the increased collection risk associated with the CTSS. The setting of the tax base by 31 January 2014 is a legal requirement.

6 SOCIAL VALUE CONSIDERATIONS

- 6.1 Not applicable.

7 REGARD TO THE NHS CONSTITUTION

- 7.1 Not applicable

8 EQUALITY IMPACT ASSESSMENT (EIA)

- 8.1 No EIA is required under the Council's EIA guidance as this report does not set out changes to policies, 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.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 CTB1 Tax base return (**Appendix 1**)

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 None

11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

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COUNCIL TAXBASE ESTIMATE 2014/15: SUPPLEMENTARY NOTES

(1) CTB1 Adjustment for empty property discounts

Council Tax exemption classes A (properties undergoing or requiring major repairs) and C (properties empty and unfurnished < 6 months) were abolished from 1 April 2013 under new legislation and have been replaced by discretionary locally defined discounts. These have been set at 0% in Nottingham. We also introduced a premium charge on properties empty for more than 2 years and reduced the level of discount granted on empty furnished properties from 10% to 0%.

The council tax base return (CTB1 – Appendix 1) in October 2013 on which the tax base estimate is based treats all unfurnished empty properties as if eligible to 100% discount however for Revenue Support Grant purposes. Also furnished and unoccupied properties are calculated as 50% discount cases.

The CTB1 return therefore understates the true level of the tax base for collection purposes and an adjustment must be made for this. This is the equivalent of adding **3,160.5** additional properties to the tax base.

(2) New properties

New property development has continued to be slow across the City over the last year but there are signs of increased activity. The number of new domestic developments has been under 700 in the last 12 months but around 1,000 new properties are expected to be built next year. Only a proportion of these will be completed and banded and become liable for council tax for the full year during 2014/15 however and a third of these will be student properties exempt from council tax. An increase equivalent to **500** new properties has been estimated for this period and has been split across each of the bands based on the current proportion of properties in each band.

(3) Deletions

Deletions relate to demolitions and properties that merge to become single assessments. Nottingham City Homes and Nottingham City Council are undertaking an ongoing decommissioning and rebuilding programme, and when ongoing activity in other parts of the City is also taken into account it is estimated that **200** properties will be removed from the tax base during 2014/15.

(4) 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 and for new occupiers moving into the City and some of these will be backdated into previous charge years. There will also be discount cancellations as existing discounts are subject to ongoing review. An additional 800 single person discounts are expected to be awarded in 2014/15, which at 25% of the council tax charge equates to a reduction in the tax base of **200** properties.

(5) Exemptions

Most exemptions in 2014/15 will be granted for properties occupied by students. At the time of the CTB1 Return in October 2013 applications for student exemptions were still being received for the new academic year and an increase from the level at this time is anticipated.

In total an allowance of an extra **1,300** 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. Presently there are a low number of appeals outstanding and an allowance for **100** 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 **200** 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 Benefit was abolished by the Government from 1 April 2013 and has been replaced by a local support scheme. Unlike Council Tax Benefit this takes the form of council tax discount and as such becomes part of the tax base estimate.

The level of Council Tax Support is proposed to be reduced in 2014/15 from a maximum level of 91.5% of the council tax bill in 2013/14 to 80%. It is estimated that the equivalent of **24,867** discounts for Council Tax Support will be granted in 2014/15 to reflect this level of support.