

**To:** Full Council

**Date:** 17<sup>th</sup> December 2012 **Item No:**

**Report of:** Head of Finance

**Title of Report:** Setting of the Council Tax Base 2013-14

## Summary and Recommendations

**Purpose of report:** To set the "Council Tax Base" for 2013/14 as required by section 33 of The Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Report Approved by:**

**Finance:** Nigel Kennedy  
**Legal:** Jeremy Thomas

**Policy Framework:** No

**Recommendation(s):** Council is asked to agree the following:

- (a) that the 2013/14 Council Tax Base for the City Council's area as a whole is set at **41,291** (calculation shown in Appendix 1)
- (b) that the projected level of collection is set at 97%
- (c) that the following tax bases for each of the Parishes, and for the Unparished area of the City (calculations shown in Appendix 2) be set as follows:

Unparished Area of the City	34,520
Littlemore Parish	1,612
Old Marston Parish	1,198
Risinghurst & Sandhills Parish	1,373
Blackbird Leys Parish	2,588
<b><u>City Council Total</u></b>	<b><u>41,291</u></b>

(d) that completion of the NNDR1 form be delegated to the Council's Section 151 Officer in accordance with paragraph 18

- Appendix 1 Oxford City Council tax base 2013-14
- Appendix 2 Parish Councils Tax Base 2013-14
- Appendix 3 Dwellings by valuation band at 30<sup>th</sup> November 2012-
- Appendix 4 Growth in dwellings
- Appendix 5 Risk register

### **Background**

- 1 The Tax Base is the estimate of the taxable capacity of the area for the period. The numbers of dwellings in each valuation band are converted to full charge Band D equivalents. The starting point is the current number of dwellings, exemptions and discounts as at Nov 30<sup>th</sup> 2012 and projections are then made for expected movements over the period Dec 1<sup>st</sup> 2012 – March 31<sup>st</sup> 2014. Separate calculations are required for a) the whole of the Authority's area and b) for the individual Parishes and the Unparished areas of the City. The Tax Base will be used by the Council to calculate the yield from Council Tax for 2013/14, and by Oxfordshire County Council and Thames Valley Police Authority to apportion their precepts from 1 April 2013.

### **Council Tax Reduction Scheme**

2. Since Council Tax was introduced in 1993 there has been a scheme of financial assistance called "Council Tax Benefit" which has been available to taxpayers on low incomes to help them meet their council tax liability. The CTB scheme is a national benefit, the rules of which are set centrally by the Department for Work and Pensions (DWP).
- 3 The Welfare Reform Act 2012 provided for the CTB scheme to be abolished with effect from 31 March 2013 and replaced with local "*council tax reduction schemes*". The rules and provisions to apply to local CTRS are set out in the Local Government Finance Act 2012.
- 4 In designing the local scheme the Council have followed the provisions in The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885), and the instruction of the Single Member Decision taken on 16<sup>th</sup> August 2012 to replicate the existing CTB scheme.
- 5 In drawing up the scheme officers have worked with Oxfordshire County Council and the other Districts within Oxfordshire and have obtained an agreement to operate a common scheme across the County.

- 6 Details of the Scheme are contained within a report seeking approval to adopt the Scheme which is included elsewhere on the Council agenda.

### **Effect of the Council Tax Reduction Scheme on the Taxbase**

- 7 The CTRS will reduce the authority's Tax Base by the value of council tax support against individual property council tax bands which is then equated to the number of Band D equivalent properties. In Oxford City this equates to a reduction of 6,447 band D properties or 14 % of the Tax Base.
- 8 The reduction in Tax Base reduces the amount of Council Tax income, which is estimated to be around £1.722 million per year. Allowing for a 1.5% estimated increase in claimants; this takes the reduction in Council Tax income to £1.747 million per year. This will be covered in part by grant funding from Government, roughly equivalent to last years Council Tax Subsidy less 10% (£1.559 million). However, the final amount has yet to be confirmed.
- 9 The difference between grant and loss of council tax income is therefore projected to be circa £188k for the Council.
- 10 The government has also made available additional transitional funding to support Local Authorities who seek to minimise the impact of changes to Council Tax benefit. The proposed scheme would qualify for this grant which amounts to £42k. This grant and the additional income potential from the proposed changes to council tax discount and exemption levels described below could completely offset the £188k shortfall in Council Tax income.

### **Changes to Exemptions and Discounts**

- 11 The Government have given new powers to Local Authorities to vary discounts and exemptions currently awarded on empty property. At City Executive Board on 22nd November 2012 it was agreed to make changes to these discounts and exemptions and consult on such changes through the Council's Budget Consultation process in order to mitigate the financial shortfall arising, following the changes in Council tax support referred to above, as follows:
- **Exemption Class A** – Recently built or uninhabitable due to work (current 100% exemption for a time limit of 12 months then full charge)– **Proposal** - 25% exemption for a time limit of 12 months, then full charge
  - **Exemption Class C** – Vacant – empty and unfurnished (current 100% exemption for a time limit of 6 months then full charge)– **Proposal** 25% exemption for a time limit of 6 months, then full charge

- **Exemption Class L** – Unoccupied where the mortgagee is in possession (current 100% exemption)– **Proposal** 0% exemption, i.e. full charge
- **Second Homes Discount** – (current 10% discount) – **Proposal** 0% discount i.e. full charge
- **Empty Homes Premium** – left unoccupied or unfurnished for two years or more (current 100% exemption for a time limit of 6 months and then full charge in line with class C) **Proposal** charge 150% council tax after 2 years empty

12 These changes to discounts and exemptions will have the effect of increasing the Council's tax base and will produce an estimated additional amount of income of £145k per annum.

### **Factors taken into account in the calculation of the Tax Base**

13 The following factors are taken into account when calculating the tax base:

- **Dwellings:** This is the number of dwellings in each valuation band as at 30th November 2012 (see Appendix 3 attached).
- **Exemptions and Discounts:** Not all dwellings are liable for the full Council Tax charge, some categories are exempt. Other dwellings can attract a discount, either at 25% or 50% dependant on the number of adults who are considered resident
- Exemptions and discounts for unoccupied and emptied properties as discussed in paragraph 11 above.
- **Disability Reductions:** Where there is a disabled occupant and adaptations have been undertaken for their benefit, the dwelling is treated as being in the band below the one in which it was actually valued.
- **Council Tax Reduction Scheme:** This is an estimate of the number of dwellings in each band that will be eligible for discounts under the Council Tax Reduction Scheme as discussed in paragraph 2-10 above.
- **Discretionary elements:** The Council has discretion in the following areas when calculating its Council Tax Base:
  - (i) **Number of new properties built and changes in properties subject to discount, exemptions, and disabled relief.** Appendix 4 shows the net annual increase in the total numbers of dwellings banded for Council Tax going back to 1997/98. The graph shows the 'boom' years of 2004/05, 2005/06 and 2006/07, followed by a considerable drop over the subsequent three years. The net increase in 2012/13 to date is 271 but that figure includes 127 units of student accommodation at Dorset House and Clive Booth Hall.

Student accommodation is exempt from Council Tax and thus has no impact on the Tax Base. The 'net' figure includes new builds, demolitions, and reconstitutions (splits/mergers).

An estimate of new dwellings has been included for the remainder of 2012/13. This figure is derived from information obtained from the Council Tax department and is based on the same rate of growth as in the period from April 1<sup>st</sup> 2012, net of student dwellings. For 2013/14 an estimate of 214 new dwellings has been built into the calculation. This assumes net growth at a similar rate to 2012/13. Advice received from the City's Planning Department confirms this as a reasonable approach. A 50% reduction has been applied to these dwellings to reflect that some will have discounts or exemptions, and most will not be in the Valuation List for the entire period.

(ii) **Allowance for non collection** -The Council is required to make an allowance for non-collection of Council Tax. The Head of Finance has recommended that this allowance be increased from two percent to three percent, giving a projected collection rate of 97%. The basis for the increase is current economic conditions plus the impact of welfare reform changes due to take effect from the 1<sup>st</sup> April 2013 and the awareness that collection of local taxation will becoming increasingly difficult.

#### **Calculation method**

- 14 The method used to calculate the Tax Base is prescribed by the Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI 2012/2914). The basic calculation is as follows:
- Number of dwellings in each of the valuation bands
  - Deduct exempt dwellings
  - Deduct dwellings eligible for the Council Tax reduction scheme
  - Adjust for disabled reductions
  - Adjust for discounts (25% and 50%)
  - Convert to band D equivalents
  - Allow for projected collection rate.

Appendices 1 and 2 attached set out the requisite calculations for the Authority as a whole as well for the Parished and Unparished areas of the City.

- 15 The detailed calculations are shown in Appendix 1 and 2 and summarised below :

<b>Council Tax Bases</b>				
	<b>2012/13</b>	<b>2013/14</b>	<b>Change</b>	
	<b>Nos</b>	<b>Nos</b>	<b>Nos</b>	<b>%</b>
Unparished Area	38,634	34,520	-4,114	-10.7
Littlemore	1,943	1,612	-331	-17.0
Old Marston	1,308	1,198	-110	-8.4
Risinghurst and Sandhills	1,526	1,373	-153	-10.0
Blackbird Leys	3,723	2,588	-1,135	-30.5
<b>City Council Total</b>	<b>47,134</b>	<b>41,291</b>	<b>-5,843</b>	<b>-12.4</b>

### **Reasons for reduction in Council Tax Base**

- 16 The calculated figure of **41,291** for the overall Tax Base for 2013/14 represents a reduction of 12.4% on the 2012/13 figure. The reasons for this are a) the fact that the authority has now to take account of dwellings that are eligible for the Council Tax reduction scheme, and b) the increase in the allowance for non-collection from 2% to 3%. These factors have to some extent been offset by the changes to Exemptions and Discounts as set out in paragraph 11 above.

### **Banding reductions**

- 17 During the period April 1<sup>st</sup> – November 30<sup>th</sup> 2012 the authority have received notification of 20 addresses where the Valuation Office Agency reduced the banding as the result of an appeal by the taxpayer or their agent. Of these 12 have been backdated by the VOA to April 1993 – the date of implementation of the Council Tax. The net effect is a permanent reduction on our Tax Base.

### **Business Rates retention**

- 18 December 2011 the Government published its proposals for the localisation of business rates alongside the introduction of the Local Government Finance Bill. The enabling Act was passed in November 2012. Consequently, from April 2013 Billing Authorities will be allowed to retain a proportion of their rates income.
- 19 Prior to the start of the year Billing Authorities are required to submit an NNDR1 form providing their best estimate of rates income for the year in question. The amount of rates allowed to be retained will be based in part on information in that form. A provisional form has to be submitted to central government by mid-December with confirmation by 30 January. Approval of the NNDR1 form is something that can be

delegated if the authority chooses. Historically at the City Council it has been signed off by the Council's Section 151 Officer and it is recommended that this delegation continues.

**Risk Implications**

- 20 A risk assessment has been undertaken and the risk register is attached at Appendix 5.

**Equalities Impact Assessment**

- 21 There are no Equalities Impact Assessment implications relating to the setting of the Tax Base as detailed in this report.

**Financial Implications**

- 22 These are all included within the main body of the report.

**Legal implications**

- 23 The Local Government Finance Act 1992 states that Billing Authorities are to calculate their Council Tax Base figures as at Nov 30<sup>th</sup>. These must be approved by Council and notified to the major precepting authorities by the following Jan 31<sup>st</sup>.

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**Background papers:** Statistical report  
ct6140b/d produced from the Academy Council Tax system dated Nov 24<sup>th</sup> 2012. Statement of numbers and Bands of dwellings issued by the Valuation Office Agency dated Nov 26<sup>th</sup> 2012 (Appendix 3)

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