

<b>Subject:</b>	<b>Council Tax Base 2014/15</b>		
<b>Date of Meeting:</b>	<b>16<sup>th</sup> January 2014</b>		
<b>Report of:</b>	<b>Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Mark Ireland</b>	<b>Tel: 29-1240</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The council tax base represents the amount that would be raised by the setting of a £1 council tax. It is a requirement of the Local Government Finance Act 1992 and associated regulations that the tax base is calculated for the purpose of setting the council tax in 2014/15 before 31<sup>st</sup> January 2014.
- 1.2 The purpose of this report is for Members to agree the tax base for 2014/15. Members will be aware that full Council agreed amendments to council tax discounts for empty homes and furnished lets on 12 December 2013. Those decisions are reflected in the proposed tax base set out in this report. Full Council also decided not to make any further changes to the council tax reduction scheme for the coming year at the same meeting.

**2. RECOMMENDATIONS:**

That Policy & Resources Committee:

- 2.1 Approves this report for the calculation of the council's tax base for the year 2014/15.
- 2.2 Agrees that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amounts calculated by Brighton & Hove City Council as its council tax base for the year 2014/15 shall be as follows:-
  - 2.2.1 For Brighton and Hove whole – 81,359.20 (as detailed in appendix 1)
  - 2.2.2 For the Royal Crescent Enclosure Committee – 30.10 (as detailed in appendix 2)
  - 2.2.3 For the Hanover Crescent Enclosure Committee – 40.70 (as detailed in appendix 3)
  - 2.2.4 For the Marine Square Enclosure Committee – 65.40 (as detailed in appendix 4)
  - 2.2.5 For the Parish of Rottingdean – 1,467.50 (as detailed in appendix 5)
- 2.3 Agrees that, for the purposes of Section 35(1) of the Local Government Finance Act 1992, the expenses of meeting the special levies issued to the council by the Enclosure Committees shall be its special expenses.

- 2.4 Agrees that the Enclosure Committees and Rottingdean Parish are paid approximately £5,000 council tax reduction grant in total to ensure that they are no better or no worse off as a result of the introduction of the council tax reduction scheme for the reasons set out in paragraph 3.7.

### **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The tax base has been calculated in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012. The detail of the calculation for the whole of Brighton & Hove is shown at appendix 1.

- 3.2 The tax base is calculated by estimating how many properties there are in each tax band, determining what relevant discounts and exemptions apply and how much council tax will ultimately be collected.

- 3.3 The key changes to the proposed tax base for 2014/15 are listed below:

- The number of new properties excluding student halls of residence on the register is already approximately 100 more than was estimated this time last year. A further 400 new properties are expected to be added during 2014/15 equivalent to a 0.3% increase in the housing stock of the city based on housing developments currently under construction and nearing completion. The number of student halls of residence is anticipated to increase by 15% next year from the current level of 1,082 largely due to the expected completion of the redevelopment of the Co-op site on London Road.
- Despite the expected increases in student halls of residence the growth in the number of properties occupied solely by students and therefore exempt from council tax is anticipated to continue to rise although this rise has always proved hard to predict accurately. The graph in appendix 6 shows the changes in the number of student exempt properties over the last 3 years month by month to the end of November 2013. Just over 5,000 properties on average are estimated to be solely occupied by students during 2014/15 a figure which has doubled over the last 10 years. The value of the exemption in council tax income is estimated to be over £5.4m for the city council alone in 2014/15. Planned expansion to local universities and Further Education Colleges means that the number of exempt properties could increase at an even faster rate over coming years particularly now that the Government is removing the cap on university places so that more young people can go into higher education.
- The proposed tax base for 2014/15 assumes that single person discounts (SPD) will increase from current levels proportionately with the increase in the number of new properties. As at the end of November 2013 46,499 or 37% of all households in the city were in receipt of SPD and a detailed exercise will be undertaken during the coming year in addition to the normal verification procedures including cross-checks with other relevant databases.
- Full Council agreed changes to various discounts and exemptions in December 2012 with further amendments agreed in December 2013. Details of the changes and the financial implications were given in the reports to those meetings and estimates of the impact of the changes have been included in the proposed tax base. The impact of the changes agreed last year appears to have been understated based on actual experience so far this year and the tax base has been adjusted accordingly.

- Contrary to the assumptions made at this time last year the number of claimants (both working age and pensioners) receiving council tax reduction (CTR) has fallen consistently throughout the year as shown in the graph in appendix 6. With improvements in the national and local economy predicted to continue throughout the coming year it is likely that the numbers will continue to fall at a similar rate to the period April 2013 to November 2013 with the total value of the discount expected to fall by 4% from £22.0m at the end of November 2013 to £21.1m by the end of March 2015. This further reduction had not been built into the forecasts given in the December budget update report and is the main reason why the proposed tax base for 2014/15 is higher than previously assumed. The 2013/14 budget had allowed for an average total CTR discount of £23.4m whereas the proposed figure for 2014/15 is £21.6m. However it does mean that those households no longer qualifying for the same level of CTR discount will be paying more in council tax which may prove harder to collect.
- Collection performance during the current year has been consistently down month by month on last year and is currently 1.2% below the in-year collection rate achieved last year. From data collected by other unitary authorities this reduction is in line with experience in other parts of the country and is probably largely due to the continuing squeeze on household budgets with inflation exceeding pay increases. It remains to be seen whether there is improved in-year collection in February and March now that all households have the option to spread payments over 12 months rather than 10. A drop in in-year collection performance does not necessarily result in a drop in ultimate collection performance but arrears are much harder to collect. A much clearer position on collection at the end of the year and of the collection of arrears will become apparent during 2014/15 and the ultimate collection rate will need to be looked at in more detail then. Until further information is available it is not proposed to change the ultimate collection rate for 2014/15 from the current level of 98.48%.

3.4 The resultant tax base proposed for 2014/15 is 81,359.20 which is an increase from the 2013/14 tax base of 79,781.90 of 2% for the reasons explained above and summarised in the table below.

	Tax base
2013/14 tax base	79,781.90
Increases:	
- New dwellings	+516.00
- Reduced CTR caseload	+1,205.20
- Changes in discounts & exemptions agreed by full Council	+314.20
Decreases:	
- Increase in exempt properties	-388.00
- Increase in SPD	-67.50
- Changes in band	-2.60
2014/15 tax base	81,359.20

3.5 The discretionary discounts have to be excluded from the calculation of the tax base because the cost of awarding these discounts has to be met in full by the council and cannot be shared with the Police and Fire Authorities. Separate provision will be made in the 2014/15 revenue budget as part of the overall budget proposals coming to this Committee in February. The discretionary

discounts are estimated to cost about £150,000 in 2014/15 and for example cover exceptional situations not covered by the proposals for empty dwellings such as flood or fire damage.

- 3.6 The regulations require a separate calculation to be carried out for parts of a local authority area where special expenses apply. Appendices 2, 3 and 4 show the details of the calculations for Enclosure Committees in Brighton which fall under this category. Each Enclosure Committee sets a levy for maintaining the enclosure gardens and this is recovered through an additional council tax charge to the enclosure residents. Appendix 5 shows the calculation for the Parish of Rottingdean.
- 3.7 The additional discounts generated by the council tax reduction scheme also have implications for the Enclosure Committees and Rottingdean Parish. In line with government guidance and what is considered fair to local residents it is proposed that the relevant proportion of council tax reduction grant is paid to each body to ensure that they are no better or no worse off as a result of the local scheme. It is estimated the total grant payable in 2014/15 will be about £5,000 but this will depend on the tax level set by each body.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 The calculation of the council tax base is determined largely by regulation and is based on the best information available at this time. Options relating to the council tax reduction scheme and changes to discounts and exemptions were considered and agreed by full Council in December.

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 Extensive public consultation was carried out in relation to both the council tax reduction scheme and changes to discounts and exemptions. Details were shown in the reports to Council in December.
- 5.2 There are regular meetings between Strategic Finance and Revenues to discuss collection performance, monthly movements in tax base and the projections used for determining the tax base for the following year.
- 5.3 Sussex Police Authority and East Sussex Fire Authority have been kept informed of the latest tax base projections.

#### **6. CONCLUSION**

- 6.1 It is a requirement of the Local Government Finance Act 1992 and associated regulations that the tax base is calculated for the purpose of setting the Council Tax in 2014/15 before 31<sup>st</sup> January 2014 and this report fulfils that requirement.

#### **7. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 7.1 The increase in the proposed tax base of 1,577.30 for 2014/15 generates additional resources of £2.38m for the city council, police and fire authorities

based on the average band D council tax for 2013/14. The city council share is approximately 85%. The tax base is significantly higher than the tax base used in the December budget update report reflecting largely new lower forecasts for the CTR scheme caseload. The increased resources for the city council generated by the higher than anticipated tax base are estimated to be about £0.7m for 2014/15.

*Finance Officer Consulted: Mark Ireland*

*Date: 2/1/14*

Legal Implications:

- 7.2 It is a requirement of the Local Government Finance Act 1992 that the Council determine the council tax base. This must be determined before 31 January 2014.
- 7.3 All other references to the legal framework for setting the council tax base are contained within the body of the report.
- 7.4 The calculation of the Council Tax Base is not a function reserved to Full Council by legislation, but falls within the terms of reference of the Policy & Resources Committee.

*Lawyer Consulted: Oliver Dixon*

*Date: 20/12/13*

Equalities Implications:

- 7.5 An equalities impact assessment has been carried out for the proposed changes to discounts and exemptions and is number 32 in the 2014/15 budget savings pack presented to the December meeting of this Committee.

Sustainability Implications:

- 7.6 None.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 7.7 There are greater risks to the forecasts because of the extensive welfare reform changes being made. Monitoring will be maintained at a high level throughout the year to ensure that any issues are identified quickly and mitigation measures adopted. Members will be kept up to date through the regular budget monitoring reports.

Corporate / Citywide Implications:

- 7.8 These were considered by full Council in December.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Tax base calculation for the whole of Brighton and Hove
2. Tax base calculation for Royal Crescent
3. Tax base calculation for Hanover Crescent
4. Tax base calculation for Marine Square
5. Tax base calculation for Rottingdean Parish
6. Graphs on CTR discounts and student exemptions

### **Documents in Members' Rooms**

1. None

### **Background Documents**

1. Full Council on 12 December 2013 Agenda item 54 – Council Tax Reduction Review
2. Full Council on 12 December 2013 Agenda item 55 – Council Tax Property Discounts
3. Files held within Strategic Finance and the Revenues Teams