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<u>Item</u>
10
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SETTING THE COUNCIL TAX TAXBASE FOR 2013/14

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1. Summary

- 1.1. In order to determine the appropriate Council Tax levels for Shropshire Council, it is necessary to determine the Council Tax taxbase for the area. The budget requirements of the various precepting authorities are divided by this figure to arrive at the Band D Council Tax.
- 1.2. The Welfare Reform Act 2012 provides for the abolition of Council Tax Benefit (CTB) from 31 March 2013. Provisions for the localisation of Council Tax Support are included in the Local Government Finance Act 2012. This means that from 2013/14, national council tax benefit is replaced by council tax support which will take the form of reductions within the council tax system and will affect the Council Tax taxbase.
- 1.3. The localisation of the Council Tax Support includes a reduction in funding of 10%. Cabinet considered the estimated effect of this 10% reduction at their meeting on 17 October 2012 and agreed options for mitigating the financial effect. The decisions made by Cabinet on 17 October 2012 are included in the calculation of the Council Tax taxbase for 2013/14.
- 1.5. For 2013/14 the Council Tax taxbase will be 99,279.65 Band D equivalents, this is a decrease of 9.74% from 2012/13, due to the new requirement to express the local Council Tax Support scheme in terms of a reduction in the Council Tax taxbase and setting the collection rate at 97.5%.
- 1.4. The Council Tax taxbase has a direct impact on the Council Tax that will be levied by the Council for 2013/14 and the level of Revenue Support Grant (RSG) the Council receives. To assess the full financial implications it is necessary to consider the Council's expenditure for 2013/14 and the grant settlement. These will be addressed in the Financial Strategy for 2013/14.

2. Recommendations

Members are asked:

- 2.1 To approve, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by Shropshire Council as its Council Tax taxbase for the 2013/14, as detailed in Appendix A, totalling 99,279.65 Band D equivalents.
- 2.2 To note the exclusion of 12,313.19 Band D equivalents for the first time from the taxbase as a result of localised Council Tax Support.
- 2.3 To note the inclusion of 605.72 Band D equivalents in the taxbase for removal of the second homes discount in accordance with recently approved Council policy.
- 2.4 To note the inclusion of 1,089.50 and 120.49 Band D equivalents in the taxbase for abolition of Class C and Class A exemptions and introduction of Council Tax discount policies of 25% and 50% respectively.
- 2.5 To approve revision of the long-term empty properties discount to 25%.
- 2.6 To note the inclusion of 137.11 Band D equivalents in the taxbase for implementation of a long-term empty properties discount of 25%.
- 2.7 To approve a collection rate for 2013/14 of 97.5%.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Determination of the Council Tax taxbase to 2012/13 has been a well understood albeit complex process with any potential for error mitigated to a large extent by adhering to the relevant legislation and through independent checks on the working papers. However, expression of Council Tax Support in terms of Band D equivalents for the first time in 2013/14 results in a higher potential for inaccuracies in the determination process as Council Tax Support is a significantly more volatile discount element.
- 3.2 Details of the potential risk in relation to establishing a collection rate allowance is detailed within this report in Section 9.

4. Financial Implications

- 4.1 The Council Tax taxbase figure impacts on the Council Tax that will be levied by the Council for 2013/14.
- 4.2 The Council Tax taxbase figure is used to determine the level of Revenue Support Grant the Council receives. This will continue to be the case under the new Business Rates Retention funding mechanism for the reduced level of Revenue Support Grant, 50%, the Council will receive.

- 4.3 The implication of the Council's localised Council Tax Support scheme are detailed in Section 6.
- 4.4 The implications of the Council's decision to reduce the discount in respect of second homes from 10% to 0% are detailed in Section 7.1.
- 4.5 The implications of the Council's decision to award a 50% discount in respect of Class A properties and a 25% discount in respect of Class C properties are detailed in Section 7.2.
- 4.6 The implications of the Council's decision to implement a 25% discount in respect of long term-empty homes are detailed in Section 7.3.
- 4.7 The implications regarding the determined collection rate are detailed in Section 9.

5. Background

- 5.1 Shropshire Council has responsibility for determining the Council Tax taxbase for the Council's geographical area.
- 5.2 The taxbase for Council Tax must be set between 1 December 2012 and 31 January 2013 in relation to 2013/14, as prescribed by the Local Authorities (Calculation of Council Tax Base) Regulations 2012.
- 5.3 The Council is also required to inform the major precepting authorities, West Mercia Police Authority and Shropshire & Wrekin Fire Authority, of the taxbase in order to enable the calculation of Council Tax for the following year. Each town and parish council is also notified of its own Council Tax taxbase.
- 5.4 The purpose of this report, therefore, is to determine and approve the Council Tax taxbase for Shropshire Council for 2013/14.

6. Council Tax Support

- 6.1 The 2010 Spending Review announced the localisation of council tax support and The Welfare Reform Act 2012 abolishes Council Tax Benefit from 31 March 2013 and requires that Local Government creates a localised Council Tax Support (CTS) scheme effective from 1 April 2013, accommodating a reduction in funding of 10%.
- 6.2 From 2013, therefore, council tax support will take the form of reductions within the council tax system, replacing national council tax benefit. Making reductions part of the council tax system will have the effect of reducing a billing authority's Council Tax taxbase. Billing and major precepting authorities will receive funding (Council Tax Support Grant) which will reduce their council tax requirement and, depending on the design of the local council tax scheme, could help offset the council tax revenue foregone through reductions.

- 6.3 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 are intended to ensure that new council tax support schemes, to be implemented under the Local Government Finance Act 2012, can be fully reflected in the Council Tax taxbase for all authorities.
- 6.4 For parish and town councils, the regulations also implement the Government's preferred approach to funding local precepting authorities in relation to local council tax support schemes. The preferred approach is through a voluntary arrangement whereby billing and local precepting authorities agree the amount of funding, allocated initially to billing authorities, to be passed down to local precepting authorities.
- 6.5 Therefore the parish and town councils Council Tax taxbases will also be adjusted to take account of local council tax support schemes.
- 6.6 In previous years council tax benefit schemes were administered by local councils in accordance with entitlement rules determined by central government and there was no discretion to make changes to these rules. Council tax benefits were awarded locally and council tax benefit subsidy was paid to local authorities by the Department of Work & Pensions (DWP) to offset the reduction in council tax income collected. Council tax benefit, therefore, previously had no effect on an individual authority's Council Tax taxbase.
- 6.7 Billing authorities are now required to express localised council tax support schemes in terms of a reduction in the Council Tax taxbase. This is complicated as localised council tax support schemes are still essentially the national council tax benefit scheme with some minor alterations, e.g. adjustment of disregards and deductions, and therefore are not easy to express readily in terms of Council Tax taxbase in the same way as a simple Council Tax discount, e.g. 25% single person discount, can be expressed in terms of Council Tax taxbase.
- 6.8 An estimate of the effect of Council Tax Support awards on the Council Tax taxbase has been determined for Shropshire. It is estimated that Council Tax Support awards reduce the Council Tax taxbase by 12,313.19 Band D equivalents. This estimate has been determined using the best information available, however, the calculation is limited as it is based on the following:
- The localised Council Tax Support Scheme currently out for consultation.
 - The level of Council Tax benefits as at 7th November 2012.
 - 2012/13 DWP eligibility criteria which will be updated for 2013/14.
 - 2012/13 council tax levels.
- 6.9 As Council Tax Support entitlement will vary throughout the year and this will affect the taxbase it is more likely that the amount of Council Tax collected in 2013/14 will vary from the estimate.

7. Discretionary Discount Policies

7.1 *Second Homes*

7.1.1 Second homes are defined as furnished properties which are not occupied as a person's main residence and include furnished properties that are unoccupied between tenancies.

7.1.2 The Local Government Act 2003 gave councils new discretionary powers to reduce the 50% Council Tax discount previously awarded in respect of second homes to between 10% and 50% with effect from 1st April 2004. Councils retain the additional income raised by reducing the second homes Council Tax discount.

7.1.3 The Local Government Act 2012 further extends billing authorities' discretion over the second homes discount to between 0% and 50%. On 17 October 2012 Cabinet approved the reduction of the second homes Council Tax discount from 10% to 0%.

7.1.4 The figures used for the 2013/14 Council Tax taxbase incorporate a 0% Council Tax discount in respect of second homes. Implementation of this policy results in the inclusion of 605.72 Band D equivalents in the taxbase.

7.2 *Exempt Dwellings*

7.2.1 In a wide variety of circumstances, dwellings are exempt from council tax either for a period of time, or indefinitely while conditions are met. The Local Government Act 2012 abolishes both Class A and Class C exemptions and gives billing authorities' discretion to give discounts of between 0% and 100%.

7.2.2 Class A exemptions are available for up to 12 months in respect of a vacant property which requires, is undergoing, or has recently undergone major repair work to render it habitable, or structural alteration. On 17th October 2012 Cabinet approved the award of a 50% Council Tax discount in respect of vacant dwellings undergoing major repair.

7.2.3 Class C exemptions are available for up to six months after a dwelling becomes vacant. On 17 October 2012 Cabinet approved the award of a 25% Council Tax discount in respect of vacant dwellings.

7.2.4 The figures used for the 2013/14 Council Tax taxbase incorporate a 50% discount in respect of vacant dwellings undergoing major repair and a 25% discount in respect of vacant dwellings. Implementation of these policies results in the inclusion of 1,089.50 Band D equivalents and 120.49 Band D equivalents in the Council Tax taxbase for vacant dwellings undergoing major repair and vacant dwellings respectively.

7.3 *Long Term Empty Properties*

7.3.1 A property is classed as long-term empty if it has been empty and unfurnished for more than six months and does not qualify for an exemption.

7.3.2 The Local Government Act 2003 gave Councils new discretionary powers to reduce or remove the 50% Council Tax discount previously awarded in respect of long-term empty properties with effect from 1st April 2004.

7.3.3 The Council's current discretionary policy in respect of long-term empty properties is to award the full 50% discount for six months and completely remove the discount after six months. In light of the abolition of the Class C exemption and replacement with a 25% Council Tax discount, continuation of the Council's discretionary policy in respect of long-term empty properties is now inappropriate. If the policy in respect of long-term empty properties remains empty properties would receive a 25% discount for the first six months, a 50% discount for the following six months and no discount thereafter. Revision of the long-term empty property discount is therefore required and a Council Tax discount of 25% is proposed.

7.3.4 The figures used for the 2013/14 Council Tax taxbase incorporates a 25% discount for long-term empty properties. Implementation of this policy results in the inclusion of 137.11 Band D equivalents in the taxbase.

8. Taxbase Calculation

8.1 Based on the valuation list, the Council Tax taxbase is the number of properties in the area falling within each council tax property valuation band, modified to take account of the adjustments set out below. Taxbase is expressed as a Band D equivalent.

8.2 An analysis of Council Tax bands within Shropshire Council is detailed below:

Property Band	House Value	Ratio to Band D	Analysis of Dwellings on the Valuation List (as at 10 th September 2012)	% Increase / (Decrease) over 2012/13
A	Under £40,000	6/9	19.1	0.4
B	40,001 - 52,000	7/9	25.8	0.6
C	52,001 - 68,000	8/9	20.8	0.7
D	68,001 - 88,000	9/9	14.4	0.4
E	88,001 - 120,000	11/9	10.7	1.0
F	120,001 - 160,000	13/9	5.7	1.0
G	160,001 - 320,000	15/9	3.2	0.5
H	Over 320,000	18/9	0.3	0.3

8.3 There are 134,519 properties in the valuation list for the Shropshire Council area. This compares with a figure of 133,712 in the list at the same time last year. There has been an increase of 807 properties overall, which equates to 0.60% and the number of properties in all property bands has increased.

8.4 The methodology followed for calculating the taxbase is as follows:

- Ascertain the number of properties in each Council Tax band (A to H) shown in the valuation list as at 10 September 2012.

- Adjust for estimated changes in the number of properties through new build, demolitions and exemptions.
- The number of discounts and disabled relief allowances which apply as at 1 October 2012.
- Convert the number of properties in each Council Tax band to Band D equivalents by using the ratio of each band to Band D and so arrive at the total number of Band D equivalents for the Council.
- Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year

These calculations are undertaken for each property band in each parish.

9. Collection Rate

- 9.1 In determining the taxbase, an allowance has to be made to provide for changes to the taxbase during the year (e.g. due to new properties, appeals against banding, additional discounts, Council Tax Support award changes, etc.) as well as losses on collection arising from non-payment. This is achieved by estimating a Council Tax collection rate for the year and must be common for the whole of Shropshire.
- 9.2 A collection rate of 98.5% was assumed for the 2012/13 financial year, however, it is recommended that a lower collection rate is used for 2013/14.
- 9.3 A lower collection rate is recommended due to the higher potential for inaccuracy introduced into the Council Tax taxbase determination process as a result of the requirement to express the local Council Tax Support scheme in terms of a reduction in the taxbase. This is simply because Council Tax Support is a significantly more volatile discount element than the other well understood Council Tax discounts.
- 9.4 A lower collection rate is also recommended as result of the measures taken to accommodate the 10% reduction in funding for Council Tax Support awards. The local Council Tax Support scheme will result in the need to collect numerous small amounts of council tax from low income customers which may prove to be impossible in the current economic climate. Furthermore implementation of new discretionary powers to further reduce the second homes Council Tax discount and award Council Tax discounts in place of exemptions may result in collection difficulties.
- 9.5 In order to be prudent it is therefore recommended that a collection rate of 97.5% should be assumed for the purpose of determining the Council Tax taxbase in 2013/14.
- 9.6 If the actual rate exceeds 97.5% a surplus is generated, which is shared between the Unitary Council, West Mercia Police Authority and Shropshire & Wrekin Fire Authority, pro rata to their demand on the Collection Fund for the relevant year. Conversely, any shortfall in the collection rate results in a deficit, which is shared in a similar manner. The surplus or deficit is taken into account in setting the Council Tax in the following year.

10. Council Tax Base

- 10.1 The estimated Council Tax taxbase for the whole of the area will be used by this Council to calculate its Council Tax Levy. It will also be used by West Mercia Police Authority and Shropshire & Wrekin Fire Authority to calculate the levy in respect of their precepts.
- 10.2 The Council Tax taxbase for this purpose in 2013/14 is 99,279.65 Band D equivalents, a decrease of 9.74% from 2012/13. This reduction in the taxbase is unusual as there is usually an increase in the taxbase year on year. The reason for this decrease in the taxbase is the requirement for the first time in 2013/14 for billing authorities to express localised council tax support schemes in terms of a reduction in the Council Tax taxbase and setting the collection rate at 97.5% instead of the 98.5% used in previous years.
- 10.3 The detailed build of the Council Tax taxbase figure analysed by both parish and town council and Environment Agency region is shown in Appendix A.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Council Tax Reduction (CTR) Scheme , Cabinet 17 October 2012
Cabinet Member (Portfolio Holder) Keith Barrow, Leader of the Council.
Local Member N/A
Appendices Appendix A: 2013/14 Parish and Town Council Tax Taxbase Summary for Shropshire Council.

Council 13th December 2012 – Setting the Council Tax Taxbase for 2013/14

2013/14 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	APPENDIX A
Parish / Town Council	Council Tax Taxbase
	(Band D Equivalents)
Abdon & Heath	98.92
Acton Burnell, Frodesley, Pitchford, Ruckley & Langley	237.00
Acton Scott	36.08
Adderley	160.40
Alberbury with Cardeston	348.40
Albrighton	1,422.89
All Stretton, Smethcott & Woolstaston	157.81
Alveley & Romsley	789.34
Ashford Bowdler	32.70
Ashford Carbonel	172.01
Astley	183.04
Astley Abbots	225.58
Aston Bottrell, Burwarton & Cleobury North	108.17
Atcham	113.36
Badger	54.53
Barrow	250.46
Baschurch	894.36
Bayston Hill	1,682.46
Beckbury	145.37
Bedstone & Bucknell	290.47
Berrington	319.98
Bettws-Y-Crwyn	79.21
Bicton	345.30
Billingsley, Deuxhill, Glazeley & Middleton Scriven	150.80
Bishops Castle Town	596.66
Bitterley	325.19
Bomere Heath & District	746.01
Bonningale	134.02
Boraston	72.31
Bridgnorth Town	4,235.56
Bromfield	108.39
Broseley Town	1,335.15
Buildwas	91.09
Burford	410.25
Cardington	191.63
Caynham	483.73
Chelmarsh	212.70
Cheswardine	366.63
Chetton	154.65
Childs Ercall	268.56
Chirbury with Brompton	320.95
Church Preen, Hughley & Kenley	112.43
Church Pulverbatch	152.28
Church Stretton & Little Stretton Town	2,030.15
Claverley	788.68
Clee St. Margaret	62.12
Cleobury Mortimer	1,007.29
Clive	226.96
Clun & Chapel Lawn	472.39
Clunbury	225.65

Council 13th December 2012 – Setting the Council Tax Taxbase for 2013/14

2013/14 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	APPENDIX A
Parish / Town Council	Council Tax Taxbase (Band D Equivalents)
Clungunford	134.45
Cockshutt-cum-Petton	269.52
Condover	765.41
Coreley	120.97
Cound	192.14
Craven Arms Town	732.55
Cressage, Harley & Sheinton	382.40
Culmington	164.69
Diddlebury	247.46
Ditton Priors	308.12
Donington & Boscobel	570.56
Eardington	228.06
Easthope, Shipton & Stanton Long	187.27
Eaton-Under-Heywood & Hope Bowdler	175.74
Edgton	45.25
Ellesmere Rural	829.92
Ellesmere Town	1,203.08
Farlow	174.53
Ford	276.28
Great Hanwood	353.36
Great Ness & Little Ness	401.32
Greete	50.04
Grinshill	108.42
Hadnall	268.60
Highley	923.64
Hinstock	413.16
Hodnet	528.03
Hope Bagot	27.96
Hopesay	223.70
Hopton Cangeford & Stoke St. Milborough	152.80
Hopton Castle	39.59
Hopton Wafers	267.93
Hordley	93.99
Ightfield & Calverhall	180.19
Kemberton	113.91
Kinlet	371.68
Kinnerley	441.30
Knockin	107.24
Leebotwood & Longnor	189.23
Leighton & Eaton Constantine	201.70
Llanfairwaterdine	90.87
Llanyblodwel	248.43
Llanymynech & Pant	618.31
Longden	489.85
Loppington	249.10
Ludford	231.51
Ludlow Town	3,214.80
Lydbury North	214.79
Lydham & More	113.69
Mainstone & Colebatch	76.11

Council 13th December 2012 – Setting the Council Tax Taxbase for 2013/14

2013/14 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	APPENDIX A
Parish / Town Council	Council Tax Taxbase (Band D Equivalents)
Market Drayton Town	3,528.92
Melverley	61.99
Milson & Neen Sollars	113.96
Minsterley	499.43
Montford	214.59
Moreton Corbett & Lee Brockhurst	116.68
Moreton Saye	191.14
Morville, Acton Round, Aston Eyre, Monkhoppton & Upton Cressett	338.46
Much Wenlock Town	1,131.29
Munslow	169.30
Myddle & Broughton	528.39
Myndtown, Norbury, Ratlinghope & Wentnor	239.89
Nash	129.70
Neen Savage	142.97
Neenton	56.87
Newcastle	123.36
Norton-In-Hales	258.71
Onibury	117.31
Oswestry Rural	1,434.64
Oswestry Town	4,728.68
Pontesbury	1,122.69
Prees	961.00
Quatt Malvern	74.07
Richards Castle	129.85
Rushbury	259.04
Ruyton-XI-Towns	426.97
Ryton & Grindle	77.53
Selattyn & Gobowen	1,072.84
Shawbury	807.55
Sheriffhales	298.87
Shifnal Town	2,151.18
Shrewsbury Town	21,268.44
Sibdon Carwood	34.04
St. Martins	772.47
Stanton Lacy	156.94
Stanton-Upon-Hine Heath	217.22
Stockton	121.51
Stoke-Upon-Tern	418.88
Stottesdon & Sidbury	297.23
Stowe	47.29
Sutton Maddock	102.66
Sutton-Upon-Tern	388.87
Tasley	371.16
Tong	110.23
Uffington	98.17
Upton Magna	119.62
Welshampton & Lyneal	325.50
Wem Rural	615.46
Wem Town	1,780.24
West Felton	489.70

Council 13th December 2012 – Setting the Council Tax Taxbase for 2013/14

2013/14 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	APPENDIX A
Parish / Town Council	Council Tax Taxbase (Band D Equivalents)
Westbury	501.75
Weston Rbyn	752.45
Weston-Under-Redcastle	119.37
Wheathill	71.06
Whitchurch Rural	535.72
Whitchurch Town	2,829.14
Whittington	756.96
Whitton	48.21
Whixall	307.14
Wistanstow	317.60
Withington	97.83
Woore	519.02
Worfield & Rudge	846.50
Worthen with Shelve	744.01
Wroxeter & Uppington	145.67
Shropshire Council Total	99,279.65
Environment Agency - Severn Trent Region	92,410.35
Environment Agency - Welsh Region	3,739.81
Environment Agency - North West Region	3,129.49
Shropshire Council Total	99,279.65