

## Public Document Pack

# Officer Decision Making

Tuesday, 26th January, 2016  
at 4.00 pm

## PLEASE NOTE TIME OF MEETING

Office of Chief Financial Officer

This meeting is not open to the public

### **Decision Maker**

Chief Financial Officer

### **Contacts**

Democratic Support Officer

Name: Judy Cordell

Tel: 02380 832766

Email: [judy.cordell@southampton.gov.uk](mailto:judy.cordell@southampton.gov.uk)

## AGENDA

Agendas and papers are available via the Council's website

**1 COUNCIL TAX & NNDR TAX BASE 2016/17 (Pages 1 - 12)**

Report of Deputy Chief Financial Officer outlining the Council Tax and NNDR Tax Base for 2016/17 and the expected Collection Fund outturn for 2015/16, attached.

Monday, 18 January 2016

HEAD OF LEGAL AND DEMOCRATIC SERVICES

# Agenda Item 1

<b>DECISION-MAKER:</b>	CHIEF FINANCIAL OFFICER		
<b>SUBJECT:</b>	COUNCIL TAX & NNDR BASE 2016-17		
<b>DATE OF DECISION:</b>	26 JANUARY 2016		
<b>REPORT OF:</b>	DEPUTY CHIEF FINANCIAL OFFICER		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Mel Creighton	<b>Tel:</b> 023 8083 4897
	<b>E-mail:</b>	<a href="mailto:Mel.Creighton@southampton.gov.uk">Mel.Creighton@southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 8083 2049
	<b>E-mail:</b>	<a href="mailto:Andrew.Lowe@southampton.gov.uk">Andrew.Lowe@southampton.gov.uk</a>	

## **STATEMENT OF CONFIDENTIALITY**

NOT APPLICABLE

## **BRIEF SUMMARY**

### **THE SETTING OF THE COUNCIL TAX BASE FOR THE CITY OF SOUTHAMPTON FOR 2016/17**

Council Tax legislation sets out a procedure to be followed to set the council tax each year. The stages are

- i. Calculate the tax base
- ii. Calculate the amount to be raised from the council tax
- iii. Divide the amount to be raised by the tax base to calculate the council tax rate for the year

It is a legal requirement that the tax base is calculated and approved by 31 January each year

### **COLLECTION FUND SURPLUS / DEFICIT 2015-16**

Each billing authority is required to estimate the level of surplus or deficit on the Council Tax and Business Rate elements of the Collection Fund at the end of each financial year in order that these amounts can be included in the calculation of the Council Tax for the coming financial year.

These estimates must be made and notified to all precepting Authorities, by the 15 January each year (or the earliest working day before this date if it falls on a weekend). This has been completed and is included in this report for information.

## **NON-DOMESTIC RATES (NNDR1) 2016/17**

The process requires completion of the NNDR1 form which must be 'signed-off' by the Council and returned to the DCLG by 31 January 2016.

Council has delegated authority to the Chief Financial Officer following consultation with the Cabinet Member for Finance to approve the Collection Fund Surplus/ Deficit 2015/16, the Council Tax Base for the City of Southampton 2016/17, and the NNDR1 return

### **RECOMMENDATIONS:**

**It is recommended that the Chief Financial Officer:**

- (i) Approve the amount calculated by Southampton City Council as its council tax base for the year commencing 1 April 2016 as 60,464 equivalent Band D dwellings.
- (ii) Note the level of the Collection Fund Council Tax Surplus to be taken into account in setting the 2016/17 Council Tax at £1.02M. Southampton City Council's share of the projected surplus is £0.87M.
- (iii) Note the level of the Collection Fund Business Rate Surplus to be taken into account at £6.15M. Southampton City Council's share of the projected surplus is £3.01M.
- (iv) Approve the NNDR1 estimates for submission to the Department for Communities & Local Government (DCLG) as follows:

	<b>£M</b>
Net Domestic Rating Income	<b>96.90</b>
Amount to be paid to Central Government (50%)	<b>48.45</b>
Amount to be retained by the Council (49%)	<b>47.48</b>
Amount to be passed to Hampshire Fire and Rescue (1%)	<b>0.97</b>

### **REASONS FOR REPORT RECOMMENDATIONS**

1. The report and recommendations have been prepared as part of the statutory requirement set the Council Tax Base and approve the NNDR1 by 31 January.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. No alternative options are relevant to this report.

### **DETAIL (Including consultation carried out)**

#### **CONSULTATION**

3. Not Applicable.

## **THE SETTING OF THE COUNCIL TAX BASE FOR THE CITY OF**

## **SOUTHAMPTON FOR 2016/17**

4. Council Tax legislation sets out a procedure to be followed to set the council tax each year. The stages are
  - i. Calculate the tax base;
  - ii. Calculate the amount to be raised from the council tax; and
  - iii. Divide the amount to be raised by the tax base to calculate the council tax rate for the year
5. This report deals with the first of those stages. Council has delegated authority to the Chief Financial Officer following consultation with the Cabinet Member for Finance to approve the Council Tax Base for the City Council. It is a legal requirement that the tax base is calculated and approved by 31 January each year.
6. The Council Tax Base has two components. The first is an estimate of the number of equivalent Band D dwellings within the city that will be subject to a council tax charge in 2016/17, adjusted to reflect Local Council Tax Reduction scheme and the resulting changes in funding which took effect from 2013/14.
7. The second is an estimate of the proportion of those charges that the City Council expects to collect, both during the year and in future years.
8. The higher the collection rate, the lower the level of tax. This calculation needs to allow for both bad debts eventually written off and variations in the estimates for exemptions, discounts, new and demolished properties.
9. The Collection Rate for 2016/17 is 96.95% which is the same as 2015/16.
10. The calculations in Appendix 2 set out the total level of discounts and exemptions that are expected to be granted in the year in order to come to a total equivalent number of dwellings. The Council then makes assumptions about the number of new and demolished properties during the year to give a revised total number of properties that equates to 88,522 for 2016/17.
11. The Local Council Tax Reduction scheme replaced the previous Council Tax Benefit scheme from 1 April 2013 and there was also a change in the way in which this was to be funded. In broad terms Council Tax Benefit is no longer simply receivable on amounts granted, funding is now a finite amount which is approximately 90% of previous funding levels.
12. In 2014/15 to make the Local Council Tax Reduction scheme affordable the Council amended the transitional scheme as follows:
  - i. People of a pensionable age continued to be protected and will receive 100% support as before;
  - ii. Working Age Claimants who would be entitled to support under the previous council tax benefit arrangements will now receive 75% of the calculated support.

No further changes have been made to the scheme for 2016/17.
13. The Council Tax Base needs to be adjusted for the Local Council Tax Reduction scheme, which has been analysed across the property Bands accordingly to give a reduced Council Tax Base of 75,123
14. This figure is then converted into a Band D equivalent figure by applying the ratios shown in Appendix 2. This equates to 62,366. The collection rate percentage outlined in paragraph 9 is then applied to this figure to give the final Council Tax

Base of 60,464.

### **COLLECTION FUND SURPLUS / DEFICIT 2015/16**

15. Income received into the Collection Fund comes from two sources, NNDR and Council Tax. Until 2013/14 income received from NNDR payers was paid in full to the Central Government NNDR Pool after a contribution had been made to the City Council's General Fund to meet the costs of collection. The net effect of NNDR on the Collection Fund was therefore neutral. However, from 2013/14, due to the localisation of Business Rates under the Business Rate Retention (BRR) Scheme, NNDR variances now have an impact on the Collection Fund Outturn.
16. The remainder of the income received by the Collection Fund is the income due from Council Tax Payers. Some households are entitled to various allowances to the standard rate including the Single Person Discount and Council Tax Benefit that reduce the amount that they are required to pay. Until 2013/14 the cost of Council Tax Benefit was met in full by Government subsidy. However, from 2013/14 onwards this is no longer the position due to ending of Council Tax Benefit and the introduction of a Local Council Tax Reduction scheme.

### **Council Tax Collection Fund Surplus / Deficit**

#### **Introduction**

17. Each billing authority is required to estimate the level of surplus or deficit on the Council Tax element of the Collection Fund at the end of each financial year in order that these amounts can be included in the calculation of the Council Tax for the coming financial year.
18. These estimates must be made by the 15 January each year (or the earliest working day before this date if it falls on a weekend) and then be notified to all precepting Authorities.

#### **Council Tax**

19. Appendix 1 shows a revised estimate of the Collection Fund Surpluses and deficits as at the end of December 2015. The statement shows an estimated increase in the income due from council tax payers of £0.52M compared to the original forecast at tax setting time.
20. The additional income is mainly attributable to the following:

	<b>£M</b>
Exempt Properties – over estimate	0.18
CT Reduction Scheme – over estimate	0.43
Other Net Variations	(0.09)
Total	0.52

- The Council Tax Reduction £15.2M was slightly overestimated at £15.63M, as were Exempt properties £7.3M compared to £7.48M.
21. In addition, to the increase in income, noted above, was a reduction in expenditure of £0.97M (reduction in bad debts provision).
22. Appendix 1 also shows a decrease in the level of the surplus brought forward on

the Council Tax Collection Fund on 1 April 2015 of £0.47M.

23. The amounts identified above combine to make a surplus of just under £1.02M on the Council Tax Account. This surplus will be shared between the precepting authorities as follows:

	<b>£M</b>
Southampton City Council	0.87
Police and Crime Commissioner for Hampshire	0.11
Fire & Rescue Authority	0.04
<b>Total</b>	<b>1.02</b>

This surplus of £1.02M of which the Council's share is £0.87M will be taken into account in setting the 2016/17 Council Tax.

### **Business Rates Collection Fund Surplus / Deficits**

#### **Introduction**

24. From 1 April 2013 the arrangements in respect of NNDR changed from a position where the Authority purely collected business rates on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major precepting bodies, (Hampshire Fire and Rescue Authority (HFRA) in Southampton's case). This change affects the retention of that income collected and also carries a risk to the Council for failure to collect rates in comparison with a predetermined "Start-Up" funding assessment. Risks of non-collection include rates billed from 1 April, those not yet collected from prior years and appeals that were not resolved before that date.
25. Appendix 1 shows a revised estimate of the Collection Fund Surpluses and Deficits as at the end of December 2015. The statement shows an estimated increase in the surplus due from business rate payers of £6.15M compared to the original forecast at tax setting time.

The additional surplus is mainly attributable to the following:

	<b>£M</b>
Business Rates Income – decrease	(0.95)
Movement in Appeals Provision	6.44
Payment to DCLG – Transitional arrangements	(0.79)
Bad Debts Provision – decrease	0.50
Surplus b/f from 2014/15 – increase	0.95
<b>Total</b>	<b>6.15</b>

26. The Business Rates Collection Fund surplus of £6.15M will be shared between Central Government, Southampton City Council and Hampshire Fire and Rescue Authority as follows:

	<b>£M</b>
Central Government	3.08
Southampton City Council	3.01

Hampshire Fire & Rescue Authority	0.06
<b>Total</b>	<b>6.15</b>

This surplus of £6.15M of which the Council's share is £3.01M will be taken into account in setting the 2016/17 Council Tax.

### **NNDR1 2016/17**

27. The process requires completion of the NNDR1 form which must be 'signed-off' by the Council' and returned to the DCLG by 31 January 2016. Council delegated authority to the Chief Financial Officer, following consultation with the Cabinet Member for Finance to approve the NNDR1 at its meeting on 16 January 2013.
28. The NNDR1 form consists of four parts:
- PART 1A: Non-Domestic Rating Income Collectable Rates
  - PART 1B: Payments
  - PART 1C: Section 31 Grant
  - PART 2: Net Rates Payable
  - PART 3: Collectable Rates and Disregarded Amounts
  - PART 4: Estimated Collection Fund Balance
29. Annual billing has been run within the Academy System to populate Part 2 using the rateable value as at 3 December 2015. Given the continued uncertainty of the impact of in year adjustments such as appeals the form allows for estimated growth / decline of various elements. After allowing for these various elements and the impact of the Autumn Statement changes (funded by Section 31 Grant) the Councils Net Rates Payable for 2016/17 is £106.02M.
30. Part 3 takes into account estimated losses in collection of £1.11M and estimated repayments in respect of the 2016/17 Rates of £7.70M giving a Collectable Rates figure of £97.21M.
31. Part 4 is our estimate of the 2015/16 NDR Collection Fund Balance compared to our NNDR 1 submission namely a £6.15M surplus of which 49% or £3.01M is attributable to the Council as set out in paragraphs 24 to 26.
32. Part 1 takes the Part 3 total of £97.22M and adjusts for Costs of Collection of £0.32M giving a Non Domestic Rating Income of £96.90M.
- 33.M Part 1 of the NNDR 1 can be summarised as follows:

	<b>DCLG (50%)</b>	<b>SCC (49%)</b>	<b>HFRA (1%)</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Non Domestic Rating Income	48.45	47.48	0.97	96.90
Cost of Collection	-	0.32	-	0.32
Surplus 2015/16	3.08	3.01	0.06	6.15
Amounts Due	51.53	50.81	1.03	103.37
Section 31 Grants	-	1.60	0.03	1.63



<b>Total</b>	<b>51.53</b>	<b>52.41</b>	<b>1.06</b>	<b>105.00</b>
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34. The NNDR1 is the best estimate of the likely yield. Our figures are set out below and these will be submitted to the DCLG at the end of January subject to approval by the 31 January:

	<b>£M</b>
Estimated Net Domestic Rating Income	96.90
Amount to be paid to Central Government (50%)	48.45
Amount to be retained by the Council (49%)	47.48
Amount to be passed to HFRA (1%)	0.97

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

35. The revenue implications are contained in the main report and there are no capital implications.

### **Property/Other**

36. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

37. The Local Authorities (Funds) (England) Regulations 1992,  
The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, and  
The Non-Domestic Rating (Rates Retention) Regulations 2013

### **Other Legal Implications:**

38. None.

## **POLICY FRAMEWORK IMPLICATIONS**

39. The report has been prepared in accordance with the statutory requirements with respect to estimation of the Collection Fund Surplus / Deficit for 2015/16, the setting of the Council Tax Base for 2016/17, and preparation and approval of Non-Domestic Rates (NNDR1) for 2016/17.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	
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## **SUPPORTING DOCUMENTATION**

**Appendices**

1.	Collection Fund Surplus / Deficit 2015/16
2.	Council Tax Base 2016/17

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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**Privacy Impact Assessment**

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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**Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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### COLLECTION FUND SURPLUS/DEFICIT 2015/16

	Estimate 2015/16 £M	Revised Estimate 2015/16 £M	Variance £M
<b>Council Tax</b>			
<u>Income</u>			
Income due from Council Tax Payers	92.77	93.29	0.52
Transfers to General Fund - Hardship Fund	0.20	0.20	0.00
	<b>92.97</b>	<b>93.5</b>	<b>0.52</b>
<u>Expenditure</u>			
Southampton City Council Precept	77.27	77.27	0.00
Hampshire Police Authority Precept	9.25	9.25	0.00
Fire & Rescue Services Precept	3.61	3.61	0.00
Distribution of previous year's surplus	3.74	3.74	0.00
Provision for Bad Debts CT	2.84	1.86	(0.97)
	96.71	95.74	(0.97)
CT - Deficit / (Surplus) for the Year	3.74	2.25	(1.49)
CT - Deficit / (Surplus) Brought Forward	(3.74)	(3.27)	0.47
	<b>0.00</b>	<b>(1.02)</b>	<b>(1.02)</b>
<b>CT Deficit / (Surplus) Carried Forward</b>			
<b>NNDR</b>			
<u>Income</u>			
Income from NDR Payers	104.29	103.34	(0.95)
Apportionment of Previous Years Deficit			
SCC	(2.37)	(2.37)	0.00
DCLG	(2.42)	(2.42)	0.00
Hampshire Fire & Rescue Authority	(0.05)	(0.05)	0.00
	99.46	98.51	(0.95)
<u>Expenditure</u>			
Payment to DCLG Transitional Arrangements	0.00	0.79	0.79
Payments to DCLG	47.45	47.45	0.00
SCC - NNDR Dist to General Fund	46.50	46.50	0.00
Hampshire Fire & Rescue NNDR Distrib.	0.95	0.95	0.00
Allowance to General Fund for NNDR Collection	0.31	0.31	0.00
Provision for Bad Debts NNDR	1.50	1.00	(0.50)
Appeals Provision 15/16	7.57	6.31	(1.27)
Appeals Provision Prior Years		-5.17	(5.17)
	104.29	98.15	(6.14)
NNDR Deficit / (Surplus) for the Year	4.83	(0.36)	(5.20)
NNDR - Deficit / (Surplus) Brought Forward	(4.83)	(5.78)	(0.95)
	<b>(0.00)</b>	<b>-6.15</b>	<b>(6.15)</b>
<b>NNDR Deficit / (Surplus) Carried Forward</b>			
<b>Total Deficit / (Surplus) Carried Forward</b>			
	<b>(0.00)</b>	<b>-7.16</b>	<b>(7.16)</b>
<b>Council Tax (Surplus)/Deficit</b>			
Contribution (to)/ from SCC	77.27		(0.87)
Contribution (to)/ from HPA	9.25		(0.11)
Contribution (to)/ from F&RS	3.61		(0.04)
Council Tax Collection Fund Balance c/f	90.14		(1.02)
<b>NNDR (Surplus)/Deficit</b>			
Contribution (to)/ from SCC	49.00%		(3.01)
Contribution (to)/ from DCLG	50.00%		(3.07)
Contribution (to)/ from HF&R	1.00%		(0.06)
NNDR Collection Fund Balance c/f	100.00%		(6.15)

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**CALCULATION OF COUNCIL TAX BASE - 2016/17**

	Band A Dis Rel	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total	
Total number of dwellings on the Valuation List	0	33,561	34,051	22,513	9,303	3,066	1,385	437	33	104,349	
Number of dwellings on valuation list exempt (Class B and D to W exemptions)	0	2,059	1,529	1,437	616	173	42	20	24	5,900	
Number of demolished dwellings and dwellings outside area of authority	0	4	0	0	0	0	0	0	0	4	
<b>Number of chargeable dwellings</b>		<b>31,498</b>	<b>32,522</b>	<b>21,076</b>	<b>8,687</b>	<b>2,893</b>	<b>1,343</b>	<b>417</b>	<b>9</b>	<b>98,445</b>	
Number of chargeable dwellings subject to disabled reduction	0	63	172	143	77	33	27	20	7	542	
Number of chargeable dwellings subject to CT by virtue of disabled relief	63	172	143	77	33	27	20	7	0	542	
<b>Number of chargeable dwellings adjusted for disabled relief</b>	<b>63</b>	<b>31,607</b>	<b>32,493</b>	<b>21,010</b>	<b>8,643</b>	<b>2,887</b>	<b>1,336</b>	<b>404</b>	<b>2</b>	<b>98,445</b>	
Number of dwellings entitled to a 25% single adult discount	19	17,751	10,420	5,457	1,981	552	181	39	0	36,400	
Number of dwellings entitled to a 25% discount with 1 or more disregard	1	482	618	374	113	36	11	5	0	1,640	
<b>Total Dwellings entitled to 25% discount</b>	<b>20</b>	<b>18,233</b>	<b>11,038</b>	<b>5,831</b>	<b>2,094</b>	<b>588</b>	<b>192</b>	<b>44</b>	<b>0</b>	<b>38,040</b>	
Number of dwellings entitled to a 50% discount with all residents being disregarded for council tax purposes	0	21	18	31	14	26	29	19	2	160	
Number of dwellings classed as second homes	0	181	153	140	88	36	11	4	0	613	
Number of dwellings classed as empty and receiving a zero% discount	0	555	327	223	79	66	16	5	0	1,271	
Number of dwellings classed as empty and receiving a discount.	0	234	125	70	35	15	4	6	0	489	
Number of dwellings classed as empty and being charged the Empty Homes Premium	0	90	58	33	13	3	0	2	0	200	
Number of dwellings where there is liability to pay 100% council tax	43	13,076	21,282	15,061	6,495	2,258	1,112	334	0	59,661	
Number of dwellings in line 7 that are assumed to be subject to a discount or a premium	20	18,531	11,211	5,949	2,148	629	224	70	2	38,784	
<b>Total equivalent number of dwellings after discounts, exemptions and disabled relief</b>	<b>58</b>	<b>26,860</b>	<b>29,644</b>	<b>19,499</b>	<b>8,092</b>	<b>2,717</b>	<b>1,272</b>	<b>381</b>	<b>1</b>	<b>88,522</b>	
Add New Properties	0	0	0	0	0	0	0	0	0	0	
Less Demolished Properties	0	0	0	0	0	0	0	0	0	0	
<b>Total Properties after New Build &amp; Demolitions</b>	<b>58</b>	<b>26,860</b>	<b>29,644</b>	<b>19,499</b>	<b>8,092</b>	<b>2,717</b>	<b>1,272</b>	<b>381</b>	<b>1</b>	<b>88,522</b>	
Value of Council Tax Support (CTS) - Includes Fire and Police	£ 20,497	£ 7,514,466	£ 5,158,090	£ 1,802,047	£ 457,548	£ 102,990	£ 25,909	£ 5,221	£ -	£ 15,086,768	
Assumed Council Tax for Band - Includes Fire and Police	£ 851	£ 1,022	£ 1,192	£ 1,362	£ 1,532	£ 1,873	£ 2,213	£ 2,554	£ 3,065	£ -	
<b>Total equivalent number of dwellings for CTS</b>	<b>24</b>	<b>7,356</b>	<b>4,328</b>	<b>1,323</b>	<b>299</b>	<b>55</b>	<b>12</b>	<b>2</b>	<b>0</b>	<b>13,399</b>	
<b>Total Properties after New Build &amp; Demolitions and CTS</b>	<b>34</b>	<b>19,503</b>	<b>25,316</b>	<b>18,176</b>	<b>7,793</b>	<b>2,662</b>	<b>1,260</b>	<b>379</b>	<b>1</b>	<b>75,123</b>	
Ratio to band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	0	
<b>Number of band D equivalents (to 1 decimal place)</b>	<b>18.8</b>	<b>13,002.0</b>	<b>19,690.1</b>	<b>16,156.0</b>	<b>7,792.9</b>	<b>3,253.5</b>	<b>1,819.7</b>	<b>631.2</b>	<b>2.0</b>	<b>62,366.2</b>	
										Collection Rate	96.95%
										<b>Council Tax Base</b>	<b>60,464.0</b>

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