

DECISION-MAKER:	CHIEF FINANCIAL OFFICER		
SUBJECT:	COUNCIL TAX BASE 2015-16		
DATE OF DECISION:	15 JANUARY 2015		
REPORT OF:	DEPUTY CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Mel Creighton	Tel: 023 8083 4897
	E-mail:	Mel.Creighton@southampton.gov.uk	
Director	Name:	Andrew Lowe	Tel: 023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

THE SETTING OF THE COUNCIL TAX BASE FOR THE CITY OF SOUTHAMPTON FOR 2015/16

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 2014-15

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) 2015/16

The process requires completion of the NNDR1 form which must be 'signed-off' by the Council and returned to the DCLG by 31 January 2015.

Council has delegated authority to the Chief Financial Officer following consultation with the Cabinet Member for Resources to approve the Collection Fund Surplus/ Deficit 2014/15, the Council Tax Base for the City of Southampton 2015/16, 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 2015 as 58,824.6 equivalent Band D dwellings.
- (ii) Note the level of the Collection Fund Council Tax Surplus to be taken into account in setting the 2015/16 Council Tax at £3,742k. Southampton City Council's share of the projected surplus is £3,206k.
- (iii) Note the level of the Collection Fund Business Rate Surplus to be taken into account at £4,834k. Southampton City Council's share of the projected surplus is £2,369k
- (iv) Approve the NNDR1 estimates for submission to the Department for Communities & Local Government (DCLG) as follows:

	£000
Net Domestic Rating Income	94,907.3
Amount to be paid to Central Government (50%)	47,453.6
Amount to be retained by the Council (49%)	46,504.6
Amount to be passed to Hampshire Fire and Rescue (1%)	949.1

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 2015/16

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
 - 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 Resources 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 2015/16, adjusted to reflect Local Council Tax Reduction scheme and the resulting changes in funding which took effect in 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 2015/16 has been amended from 97.9% (broadly the lifetime council tax collection rate) to a more realistic in year collection rate of 96.95%
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 87,122 for 2015/16.
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 2015/16

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 72,980

14. This figure is then converted into a Band D equivalent figure by applying the ratios shown in Appendix 2. This equates to 60,675.2. The collection rate percentage outlined in paragraph 24 is then applied to this figure to give the final Council Tax Base of 58,824.6.

COLLECTION FUND SURPLUS / DEFICIT 2014/15

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 2014. The statement shows an estimated increase in the income due from council tax payers of £3,212k compared to the original forecast at tax setting time.
20. The additional income is mainly attributable to the following:

	£000
Empty Properties – Additional Income	1,021
Exempt Properties – over estimate	555
CT Reduction Scheme – over estimate	766
New Properties	888
Total	3,230

- The Empty Properties additional income was due to the Council Tax Base (CTB) form treating as all 100% non-chargeable when most were 100% chargeable. No adjustment was made when setting the 2014/15

CTB to reflect this.

- The Council Tax Reduction £15,403k was slightly overestimated at £16,169k, as were Exempt properties £6,318k compared to £6,873k.
- New Properties income of £888k was not reflected in the 2014/15 CTB.

21. The statement in Appendix 1 shows an increase in the level of the surplus brought forward on the Council Tax Collection Fund on 1 April 2014 of £530k.
22. The amounts identified above combine to make a surplus of just over £3,742k on the Council Tax Account. This surplus will be shared between the precepting authorities as follows:

	£000
Southampton City Council	3,205.5
Police and Crime Commissioner for Hampshire	383.9
Fire & Rescue Authority	152.8
	3,742.2

This surplus of £3,742k of which the Council's share is £3,206k will be taken into account in setting the 2015/16 Council Tax.

Business Rates Collection Fund Surplus / Deficits

Introduction

23. 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.
24. Appendix 1 shows a revised estimate of the Collection Fund Surpluses and Deficits as at the end of December 2014. The statement shows an estimated increase in the income due from business rate payers of £4,988k compared to the original forecast at tax setting time.

The additional income is mainly attributable to the following:

	£000
Business Rates Income	1,154
Movement in Appeals Provision – Current years	1,155
Movement in Appeals Provision – Previous years	3,762
Payment to DCLG – Transitional arrangements	(1,042)
Total	5,029

25. The statement in Appendix 1 shows an increase in the level of the deficit brought forward on the Business Rates Collection Fund on 1 April 2014 of £153k.

26. The amounts identified above combine to make a surplus of £4,834k on the Council Tax Account. This surplus will be shared between Central Government, Southampton City Council and Hampshire Fire and Rescue Authority as follows:

	£000
Central Government	2,417.1
Southampton City Council	2,368.7
Hampshire Fire & Rescue Authority	48.3
	4,834.1

This surplus of £4,834k of which the Council's share is £2,369k will be taken into account in setting the 2015/16 Council Tax.

NNDR1 2015/16

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 2015. Council delegated authority to the Chief Financial Officer, following consultation with the Cabinet Member for Resources 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 31 December 2014. 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 2015/16 is £104,293k.
30. Part 3 takes into account estimated losses in collection of £1,500k and estimated repayments in respect of the 2015/16 Rates of £7,572k giving a Collectable Rates figure of £95,221k.
31. Part 4 is our estimate of the 2014/15 Collection Fund Balance compared to our NNDR 1 submission namely a £4,834k surplus of which 49% or £2,369k is attributable to the Council as set out in paragraphs 15 to 18.
32. Part 1 takes the Part 3 total of £95,221k and adjusts for Costs of Collection of £314k giving a Non Domestic Rating Income of £94,907k.
33. Part 1 of the NNDR 1 can be summarised as follows:

	DCLG	SCC	HFRA	Total

	(50%)	(49%)	(1%)	
	£000	£000	£000	£000
Non Domestic Rating Income	47,453.6	46,504.6	949.1	94,907.3
Cost of Collection	-	314.0	-	314.0
Surplus 2014/15	2,417.1	2,368.7	48.3	4,834.1
Amounts Due	49,870.7	49,187.3	997.4	100,055.4
Section 31 Grants	-	1,975.1	40.3	2,015.4
Total	49,870.7	51,162.4	1,037.7	102,070.8

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:

	£000
Estimated Net Domestic Rating Income	94,907.3
Amount to be paid to Central Government (50%)	47,453.6
Amount to be retained by the Council (49%)	46,504.6
Amount to be passed to HFRA (1%)	949.1

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 2014/15, the

setting of the Council Tax Base for 2016/17, and preparation and approval of Non-Domestic Rates (NNDR1) for 2015/16.

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

Appendices

1.	Collection Fund Surplus / Deficit 2014/15
2.	Council Tax Base 2015/16

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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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)
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1.	None	
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