

Cabinet
Council

5 January 2016
12 January 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor Gannon

Director approving submission of the report:

Executive Director for Resources

Ward(s) affected:

City Wide

Title:

The 2016/17 Council Tax Base Report

Is this a key decision?

Yes – this report deals with income in excess of £1m

Executive summary:

The main purpose of this report is to establish the 2016/17 Council Tax base for tax setting purposes.

Recommendations:

Council is recommended to approve:

1. That the Council Tax collection rate for 2016/17 be set at 98.3%
2. That, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 2012, the amounts calculated by the City Council for 2016/17 shall be:

a net tax base of 77,525.1 for the whole of the City Council area made up as follows:

Allesley Parish	318.3
Finham Parish	1,467.8
Keresley Parish	226.2
All Other Coventry City Council Wards	75,512.8
TOTAL	77,525.1

3. That the following grant payments should be made to parish councils to reflect the impact in 2016/17 of Council Tax reductions on their tax bases.

Allesley Parish	£621
Finham Parish	£3,821
Keresley Parish	£354
TOTAL	£4,796

List of Appendices included:

- Appendix A Tax Base Calculation for 2016/17 Tax Setting (Coventry)
- Appendix B Tax Base Calculation for 2016/17 Tax Setting (Allesley)
- Appendix C Tax Base Calculation for 2016/17 Tax Setting (Finham)
- Appendix D Tax Base Calculation for 2016/17 Tax Setting (Keresley)
- Appendix E Grant payments to parish councils

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

Yes, on 12th January 2016

**Report title:
The 2016/17 Council Tax Base Report**

1. Context (or background)

1.1 Council Tax base

- 1.1.1 The Council Tax base is the measure of the taxable capacity of an area, for the purpose of calculating an authority's Council Tax. It represents the estimated number of Band D equivalent chargeable dwellings for the year. It also takes into account the authority's estimated Council Tax collection rate.
- 1.1.2 This report makes the necessary calculations in accordance with the Local Authorities (Calculation of Council Tax base) Regulations 2012 to establish the Council Tax base for the City Council and its parishes. These regulations apply to financial years beginning 1 April 2013 onwards, and include the impact of the change from awarding Council Tax benefit to the introduction of a Council Tax Support Scheme (also known as the Council Tax Reduction Scheme).
- 1.1.3 The details of the Council Tax Support Scheme are decided by individual local authorities. Recommendations to revise the details of the scheme in place in Coventry are being made to the Council in an accompanying report (Revision of the Local Council Tax Support Scheme). The calculations of the Council Tax base detailed in this report have been made under the assumption that the recommendations made in this accompanying report are approved.
- 1.1.4 On 23 June 2015 the City Council agreed a reorganisation order to establish a parish and parish council for the Finham area of the city with effect from 1st April 2016. The reorganisation order included details of the proposed budget requirement for the first year of the new parish. As a result, this report includes, for the first time, the details of the tax base for the new Finham parish, together with the grant to be paid to Finham Parish Council to compensate it for the reductions made as part of the Council Tax Support Scheme.
- 1.1.5 Under the Support Scheme, the Council Tax base is reduced according to the amount of reductions awarded under the scheme, as the authority will be foregoing the relevant Council Tax income and instead will receive grant income outside of the Council Tax arrangements. These reductions are reflected in the calculation of the Council Tax base, in order to calculate the correct amount of band D Council Tax for the billing authority (Coventry City Council), the major precepting authorities (West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authority), and the local precepting authorities (Allesley Parish Council, Finham Parish Council and Keresley Parish Council)
- 1.1.6 It is estimated that the effect on the tax base of the Support Scheme will be to reduce it by 17.38%. The financial impact of the reduction in tax base will be partially offset by a grant from central government.
- 1.1.7 The tax bases for the parishes of Allesley, Finham and Keresley will also be reduced by 17.38% as a result of the Council Tax Support Scheme. It is proposed that the Council transfers an element of the grant described above to offset the impact of the reduced tax base on tax income for the parish councils. Recommendation 3 proposes that Allesley,

Finham and Keresley receive payments of £621, £3,821 and £354 respectively to offset the effect of the tax base reduction. These payments have been calculated to offset 90% of the effect of the tax base reduction, in keeping with the approach adopted nationally. The details of the calculations are provided in appendix E.

- 1.1.8 This report does not set the actual level of Council Tax in Coventry; that will be set by Council on the 23rd February 2016. The determination of the tax base is one part of the process and must occur before 31st January each year.
- 1.1.9 The technical nature of this report reflects the fact that the tax base calculation is prescribed by statute. The tax base measures all properties in an area, relative to a band D property even though this is not representative of the typical domestic property in Coventry. In fact 87.3% of properties in Coventry fall into bands A to C, which attract lower bills than Band D properties.

2. Options considered and recommended proposal

2.1 Calculation of the Council Tax base

- 2.1.1 The regulations specify in detail the calculations required. The basic formula is $A \times B$, where:
 - **'A'** is the number of "Band D equivalent" properties estimated to be applicable for the forthcoming financial year. This is referred to as the 'gross tax base'. The calculation and exact definition is explained in section 2.1.3 below.
 - **'B'** is the City Council's estimate of the Council Tax collection rate for those Band D equivalent properties as explained in section 2.2 below.
- 2.1.2 The calculation of the number of Band D equivalent properties is set out in full in appendix A. This provides a gross tax base figure (**A**) of 78,865.8 for the City of Coventry.
- 2.1.3 The gross tax base is derived for each band by taking the valuation list as at the 30th November in the current financial year, adjusted for the effect of exemptions, discounts and reliefs actually claimed on that day, as well as estimated changes throughout the year. The tax base is also adjusted for the estimated effect of reductions that have replaced the previous Council Tax benefits. The calculation of each band is then weighted to the equivalent of a Band D property and added together to give the gross tax base.
- 2.1.4 Calculation of the gross tax base takes into account an estimate of the change in tax base that is likely to occur during the forthcoming financial year. This includes the anticipated effect of retrospective amendments. The majority of these amendments relate to properties that are exempt from Council Tax (e.g. student accommodation), where the exemption is only made known to the Council at a later date.
- 2.1.5 For the purposes of calculating the 2016/17 tax base, an adjustment of **-1.00%** has been made, based on existing experience, to take into account the anticipated effect of these amendments. This adjustment is at the same level as that made in the determination of the 2015/16 tax-base.

2.2 The Calculation of the Collection Rate

- 2.2.1 The City Council also has to estimate the likely rate of collection of Council Tax (referred to as **'B'** in 2.1.1 above). This determines the amount of tax due which the Council believes it can collect after allowing for bankruptcies, absconders and other non-

collectable sums. The collection rate is applied to the gross tax base to give the net tax base, used for the purpose of setting Council Tax.

- 2.2.2 Reductions or increases in the collection rate lower or raise the net tax base and hence the amount of Council Tax available to fund services. A 0.25% variation in the collection rate would reduce or increase the amount of Council Tax to meet the budget requirement by approximately £255,000.
- 2.2.3 Balancing recent arrears collection performance and the pattern of write offs, it is recommended that an assumed eventual collection rate of **98.3%** is adopted for 2016/17. This is slightly lower than the eventual collection rate assumed for 2015/16 of 98.5%. The 0.2% reduction is the estimated effect on collection of the revisions that are being recommended to the Council Tax Support Scheme. Collection performance will be monitored throughout the forthcoming year and the rate reviewed as part of the determination of 2017/18 tax base.
- 2.2.4 Multiplying the gross tax base (A) of 78,865.8 by the collection rate (B) of 98.3% gives a recommended net tax base of 77,525.1 for the City Council.

2.3 Calculation of Tax Base for the Parish Councils

- 2.3.1 The City Council is also required to calculate a tax base for each part of its area on which parish precepts are to be levied. Accordingly, the net tax bases for Allesley (Appendix B), Finham (Appendix C) and Keresley (Appendix D) parishes have been calculated as 318.3, 1,467.8 and 226.2 respectively.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

The tax base assumed within this report relates to financial year 2016/17.

5. Comments from the Executive Director, Resources

5.1 Financial Implications

- 5.1.1 The calculation of the Council Tax base is driven by a statutory framework and as such we are governed by this framework in relation to the contents of the report. Our Council Tax collection performance is the key area that will dictate whether we achieve the eventual collection rate of 98.3% assumed within this report. This matter is subject to regular performance monitoring.

- 5.1.2 The net tax base directly influences the level of Council Tax levied and therefore the resources available to the City Council. This will be dealt with as part of the Tax setting and Budget Requirement Report that will be considered by Council on 23 February 2016.

5.2 Legal Implications

- 5.2.1 As stated in section 1 above, the tax base calculations for a particular financial year must comply with the Local Authorities (Calculation of Council Tax Base) Regulations 2012, and be determined by no later than 31st January in the preceding financial year. These

regulations have been made under the Local Government Finance Act 1992, as amended (LGFA 1992).

- 5.2.2 The Local Government Finance Act 2012 includes a number of amendments to the LGFA 1992 that affect the calculation of the Council Tax base. These amendments require councils to operate a Council Tax Support Scheme (as a replacement of Council Tax benefit) and gave powers to determine further discounts and set premiums.
- 5.2.3 The Tax Base for the City Council will be used by the West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authority, when setting their 2016/17 precepts in February 2016. It will also be used to set the City Council's element of the Council Tax for 2016/17, at the full Council meeting on 23 February 2016.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

This report is technical in nature and its implications do not have any direct bearing on these matters.

6.2 How is risk being managed?

Regular monitoring of performance will ensure that we can take appropriate management action in the area of Council Tax collection.

6.3 What is the impact on the organisation?

The report affects the potential Council Tax resources available to the City Council and, as such, impacts on the 2016/17 budget setting process.

6.4 Equalities / EIA

None.

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

The Council Tax base for the City Council will be used by the by the West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authority when setting their 2016/17 precept.

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www.coventry.gov.uk/meetings

Appendix A Tax Base Calculation for 2016/17 Tax Setting (COVENTRY)

Band	A	B	C	D	E	F	G	H	TOTAL
	Entitled To Disabled Relief								
Properties on Valuation List	56,906	41,297	22,938	9,089	4,562	2,329	1,391	167	138,679
Percentage of Total	41.0%	29.8%	16.5%	6.6%	3.3%	1.7%	1.0%	0.1%	100.0%
Adjustments:									
Exempt Dwellings (B to W)	(3,381)	(1,432)	(881)	(310)	(71)	(67)	(38)	(55)	(6,235)
Additions	239	167	81	47	33	35	18	18	751
Deletions	(131)	(239)	(167)	(81)	(47)	(33)	(35)	(18)	(751)
Number of Chargeable Dwellings on Valuation List	131	39,793	21,971	8,745	4,477	2,264	1,336	94	132,444
Percentage of Total	0.1%	30.0%	16.6%	6.6%	3.4%	1.8%	1.0%	0.1%	100.0%
25% Discounts									
Single Person Discount (25%)	28	13,151	6,091	2,016	750	333	138	4	49,162
Dwellings entitled to 25% discount due to all but one resident being disregarded for council tax purposes	1	734	321	108	49	25	8	0	1,894
Total no. of dwellings with 25% discount	29	13,799	6,412	2,124	799	358	146	4	51,056
50% Discounts									
Dwellings entitled to 50% discount due to all residents being disregarded for council tax purposes	3	38	26	45	25	23	25	14	279
Dwellings classed as empty homes and entitled to 50% discount	4	2	0	0	0	0	1	0	7
Total no. of dwellings with 50% discount	3	40	26	45	25	23	26	14	286
Total equivalent number of chargeable dwellings after discounts, exemptions and disabled persons relief [Calculation: I - (II x 0.25) - (III x 0.5)]	122.25	36,323.25	20,355.00	8,191.50	4,264.75	2,163.00	1,286.50	86.00	119,537.00
Anticipated change in taxbase during the year including the effect of retrospective amendments	(1.22)	(363.23)	(203.55)	(81.92)	(42.65)	(21.63)	(12.87)	(0.86)	(1,195.38)
Change in equivalent number of chargeable dwellings as a result of estimated tax base change during the year									
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: IV + V]	121.03	35,960.02	20,151.45	8,109.58	4,222.10	2,141.37	1,273.63	85.14	118,341.62
Estimated Effect of Council Tax Support Scheme									-17.38%
Change in equivalent number of chargeable dwellings as a result of estimated Effect of Council Tax Reduction scheme	(21.04)	(6,249.85)	(3,502.32)	(1,409.45)	(733.80)	(372.17)	(221.36)	(14.80)	(20,567.77)
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: VI + VII]	99.99	29,710.17	16,649.13	6,700.13	3,488.30	1,769.20	1,052.27	70.34	97,773.85
Ratio of Band to Band D (where Band D = 9)	5	6	8	9	11	13	15	18	
Gross Tax Base (to 1 decimal place)	55.6	25,489.5	14,799.2	6,700.1	4,263.5	2,555.5	1,753.8	140.7	78,865.8
Collection Rate									98.30%
Net Tax Base (to 1 decimal place)									77,525.1

Appendix B Tax Base Calculation for 2016/17 Tax Setting (ALLESLEY)

Band	A	A	B	C	D	E	F	G	H	TOTAL
	Entitled To Disabled Relief									
Properties on Valuation List	39	31	5	9	31	64	91	83	3	325
Percentage of Total	12.0%	9.5%	1.5%	2.8%	9.5%	19.7%	28.1%	25.5%	0.9%	100.0%
Adjustments:										
Exempt Dwellings (A to W)	(2)	(1)	0	0	(1)	0	(1)	(1)	0	(5)
Disabled Persons Relief Additions	0	1	0	0	1	0	2	1	0	4
Disabled Persons Relief Deletions	0	0	0	0	0	(1)	0	(2)	(1)	(4)
Number of Chargeable Dwellings on Valuation List	37	31	5	9	31	63	92	81	2	320
Percentage of Total	11.6%	9.7%	1.6%	2.8%	9.7%	19.7%	28.7%	25.3%	0.6%	100.0%
<u>25% Discounts</u>										
Single Person Discount (25%)	14	2	2	1	2	11	22	7	0	59
Dwellings entitled to 25% discount due to all but one resident being disregarded for council tax purposes	0	0	0	0	0	0	3	0	0	3
Total no. of dwellings with 25% discount	14	2	2	1	2	11	25	7	0	62
<u>50% Discounts</u>										
Dwellings entitled to 50% discount due to all residents being disregarded for council tax purposes	0	0	0	0	0	0	0	1	1	2
Dwellings classed as empty homes and entitled to 50% discount	0	0	0	0	0	0	0	0	0	0
Total no. of dwellings with 50% discount	0	0	0	0	0	0	0	1	1	2
Total equivalent number of chargeable dwellings after discounts, exemptions and disabled persons relief [Calculation: I+(II x 0.25) - (III x 0.5)]	33.50	30.50	4.50	8.75	30.50	60.25	85.75	78.75	1.50	303.50
Anticipated change in taxbase during the year including the effect of retrospective amendments	0.00	(0.34)	(0.05)	(0.09)	(0.31)	(0.60)	(0.86)	(0.79)	(0.02)	(3.06)
Change in equivalent number of chargeable dwellings as a result of estimated tax base change during the year	0.00	(0.34)	(0.05)	(0.09)	(0.31)	(0.60)	(0.86)	(0.79)	(0.02)	(3.06)
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: IV + V]	33.16	30.19	4.45	8.66	30.19	59.65	84.89	77.96	1.48	300.44
Estimated Effect of Council Tax Support Scheme										-17.38%
Change in equivalent number of chargeable dwellings as a result of estimated Effect of Council Tax Reduction scheme	0.00	(5.76)	(0.77)	(1.51)	(5.25)	(10.37)	(14.75)	(13.55)	(0.26)	(52.22)
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: VI + VII]	0.00	27.40	3.68	7.15	24.94	49.28	70.14	64.41	1.22	248.22
Ratio of Band to Band D (where Band D = 9)	5	6	7	8	9	11	13	15	18	
Gross Tax Base (to 1 decimal place)	0.0	18.3	2.9	6.4	24.9	60.2	101.3	107.4	2.4	323.8
Collection Rate										98.30%
Net Tax Base (to 1 decimal place)										318.3

Appendix C Tax Base Calculation for 2016/17 Tax Setting (FINHAM)

Band	A	B	C	D	E	F	G	H	TOTAL
Properties on Valuation List	3	223	580	600	245	226	47	1	1,925
Percentage of Total	0.2%	11.6%	30.1%	31.2%	12.7%	11.7%	2.4%	0.1%	100.0%
Adjustments:									
Exempt Dwellings (A to W)	0	(7)	(6)	(17)	(3)	(5)	0	0	(38)
Disabled Persons Relief Additions	2	3	2	1	1	2	0	0	11
Disabled Persons Relief Deletions	0	(2)	(3)	(2)	(1)	(1)	(2)	0	(11)
Number of Chargeable Dwellings on Valuation List	5	217	573	582	242	222	45	1	1,887
Percentage of Total	0.3%	11.5%	30.4%	30.7%	12.8%	11.8%	2.4%	0.1%	100.0%
<u>25% Discounts</u>									
Single Person Discount (25%)	2	92	154	155	55	35	6	0	499
Dwellings entitled to 25% discount due to all but one resident being disregarded for council tax purposes	0	4	7	12	2	2	0	0	27
Total no. of dwellings with 25% discount	2	96	161	167	57	37	6	0	526
<u>50% Discounts</u>									
Dwellings entitled to 50% discount due to all residents being disregarded for council tax purposes	0	1	0	1	0	1	0	0	3
Dwellings classed as empty homes and entitled to 50% discount	0	0	0	0	0	0	0	0	0
Total no. of dwellings with 50% discount	0	1	0	1	0	1	0	0	3
Total equivalent number of chargeable dwellings after discounts, exemptions and disabled persons relief [Calculation: I-(II x 0.25) - (III x 0.5)]	0.00	192.50	532.75	539.75	227.75	212.25	43.50	1.00	1,754.00
Anticipated change in taxbase during the year including the effect of retrospective amendments									-1.00%
Change in equivalent number of chargeable dwellings as a result of estimated tax base change during the year	0.00	(1.93)	(5.33)	(5.40)	(2.28)	(2.12)	(0.44)	(0.01)	(17.56)
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: IV + V]	0.00	190.57	527.42	534.35	225.47	210.13	43.06	0.99	1,736.44
Estimated Effect of Council Tax Support Scheme									-17.38%
Change in equivalent number of chargeable dwellings as a result of estimated Effect of Council Tax Reduction scheme	0.00	(33.12)	(91.67)	(92.87)	(39.19)	(36.52)	(7.48)	(0.17)	(301.79)
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: VI + VII]	0.00	157.45	435.75	441.48	186.28	173.61	35.58	0.82	1,434.65
Ratio of Band to Band D (where Band D = 9)	5	6	7	8	9	11	15	18	
Gross Tax Base (to 1 decimal place)	0.0	2.5	122.5	387.3	441.5	227.7	250.8	1.6	1,493.2
Collection Rate									98.30%
Net Tax Base (to 1 decimal place)									1,467.8

Appendix D Tax Base Calculation for 2016/17 Tax Setting (KERESLEY)

Band	A	B	C	D	E	F	G	H	TOTAL
Properties on Valuation List	97	43	108	40	24	13	10	5	340
Percentage of Total	28.5%	12.6%	31.8%	11.8%	7.1%	3.8%	2.9%	1.5%	100.0%
Adjustments:									
Exempt Dwellings (A to W)	(1)	(1)	(1)	(1)	0	0	0	0	(4)
Disabled Persons Relief Additions	0	1	1	0	1	0	1	0	5
Disabled Persons Relief Deletions	(1)	(1)	(1)	(1)	0	(1)	0	(1)	(5)
Number of Chargeable Dwellings on Valuation List	95	43	107	38	25	12	11	4	336
Percentage of Total	28.3%	12.8%	31.8%	11.3%	7.4%	3.6%	3.3%	1.2%	100.0%
25% Discounts									
Single Person Discount (25%)	0	22	25	8	4	0	0	0	107
Dwellings entitled to 25% discount due to all but one resident being disregarded for council tax purposes	0	1	0	1	0	0	0	0	3
Total no. of dwellings with 25% discount	0	23	25	9	4	0	0	0	110
50% Discounts									
Dwellings entitled to 50% discount due to all residents being disregarded for council tax purposes	0	1	0	1	0	1	0	0	3
Dwellings classed as empty homes and entitled to 50% discount	0	0	0	0	0	0	0	0	0
Total no. of dwellings with 50% discount	0	1	0	1	0	1	0	0	3
Total equivalent number of chargeable dwellings after discounts, exemptions and disabled persons relief [Calculation: I+(II x 0.25) - (III x 0.5)]	1.00	36.75	100.75	35.25	24.00	11.50	11.00	4.00	307.00
Anticipated change in taxbase during the year including the effect of retrospective amendments	(0.01)	(0.37)	(1.01)	(0.35)	(0.24)	(0.12)	(0.11)	(0.04)	(3.08)
Change in equivalent number of chargeable dwellings as a result of estimated tax base change during the year									
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: IV + V]	0.99	81.92	99.74	34.90	23.76	11.38	10.89	3.96	303.92
Estimated Effect of Council Tax Support Scheme									-17.38%
Change in equivalent number of chargeable dwellings as a result of estimated Effect of Council Tax Reduction scheme	(0.17)	(14.24)	(17.33)	(6.07)	(4.13)	(1.98)	(1.89)	(0.69)	(52.82)
Total equivalent number of dwellings after accounting for retrospective amendments [Calculation: VI + VII]	0.82	67.68	82.41	28.83	19.63	9.40	9.00	3.27	251.10
Ratio of Band to Band D (where Band D = 9)	5	6	7	8	9	11	15	18	
Gross Tax Base (to 1 decimal place)	0.5	45.1	23.4	73.2	28.8	24.0	15.0	6.5	230.1
Collection Rate									98.30%
Net Tax Base (to 1 decimal place)									226.2

Appendix E - Grant payment to Parish Councils

		Allesley	Finham	Keresley	
a	Tax Base without the effect of Council Tax reductions	385.3	1,776.6	273.8	
b	Effect of Council Tax reductions	-17.38%	-17.38%	-17.38%	
c	Tax Base change as a result of Council Tax reductions	a x b	-67.0	-308.8	-47.6
d	Tax Base	a + c	318.3	1,467.8	226.2
e	Band D parish precept from previous year	£10.31	£13.75	£8.25	
f	Loss of Income from Council Tax reductions	c x e	-£690	-£4,246	-£393
g	Grant payment (90% of lost income)	f x 90%	<u>£621</u>	<u>£3,821</u>	<u>£354</u>