

27 January 2016		ITEM: 13
Council		
The Local Council Tax Scheme 2016/17; setting of the Council Tax Base for 2016/17 and Determination of The Collection Fund Balance 2015/16		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor John Kent, Leader		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

There are three elements to this report:

Local Council Tax Scheme 2016/17

The current Local Council Tax Support (LCTS) scheme was implemented on 1 April 2013. Thurrock Council agreed its current scheme through a public consultation exercise informed by cross party Members working groups. The resulting scheme was agreed by both Cabinet and the Council.

The current approved scheme recognises and takes into account people who are working and has a disregard of the first £25 of earnings. The scheme also disregards child maintenance and child benefit in calculating the support available and so provides assistance to those with children in households. At the end of March 2015 the Council had collected 96.1 per cent of council tax due from those in receipt of support.

The public consultation closed on 25 October 2015. The survey attracted 369 “hits” and 53 responses were received. These results largely support how the scheme has been structured and delivered to date.

Setting the Council Tax Base 2016/17

This report also sets out the number of properties within Thurrock that are chargeable for council tax and classifies them into Band D equivalents for budget setting purposes.

Determination of the Collection Fund Balances 2015/16

The Collection Fund regulations require a local authority to estimate the balance on its Collection Fund as at 31 March each year. Any such balance relating to Council Tax is to be distributed to/borne by the Council and the Essex Police and Fire Authorities in proportion to the value of their respective precepts.

Any such balance relating to Business Rates is to be distributed to/borne by the Council, Central Government and Fire Authority in proportion to the agreed split under regulations.

1. Recommendation(s)

1.1 That the LCTS scheme for Thurrock Council is maintained with the inclusion of a reduction in the period an award can be backdated to four weeks. This reduction is in line with welfare reform legislation changes to housing benefit from 1 April 2016. The 2016/17 Scheme will now contain the following elements:

- **The first £25 per week of earned income will be disregarded when calculating levels of council tax support.**
- **The maximum capital limit is to be set at £6,000. This means anyone who has savings over £6,000 may not receive support with their council tax.**
- **For working age claimants, the maximum support that will be allowed will be 75% of their full council tax bill.**
- **Child benefit and child maintenance received will not be included as income in the calculation of council tax support.**
- **The maximum period a claim for LCTS can be backdated when a customer provides good cause for not claiming earlier is four weeks.**
- **There is a full disregard of military compensation payments, including War Disablement Pensions, War Widow's Pension and Armed Forces Compensation Scheme payments.**

1.2 To recommend that Council set the Council Tax Base for 2016/17 by approving the following resolutions:

- (a) That the report of the Head of Corporate Finance for the calculation of the Council's Tax Base for the year 2016/17 be approved; and**
- (b) That pursuant to the Head of Corporate Finance report and in accordance with the relevant regulations, the amount calculated by**

Thurrock Council as its Council Tax Base for the year 2016/17 shall be 48,856.

1.3 To recommend that the Council:

- (a) Determines the estimated 31 March 2016 balance of the Council Tax Collection Fund to be a surplus of £1,199,312 (before distribution to major precepting authorities).**
- (b) Allocates the surplus to the three main precepting bodies in proportion to their precepts for 2015/16 as follows:**
 - i) Thurrock Council £1,007,909;**
 - ii) Essex Police Authority £131,877; and**
 - iii) Essex Fire Authority £59,526.**

1.4 To recommend that the Council:

- (a) Determines the estimated 31 March 2016 balance of the Business Rate Collection Fund to be a deficit of £5,761,084 (before distribution to Central Government and Essex Fire Authority).**
- (b) Allocates the deficit to the three main precepting bodies in the proportion set out in legislation:**
 - (i) Thurrock Council £2,822,931;**
 - (ii) Central Government £2,880,542; and**
 - (iii) Essex Fire Authority £57,611.**

2. Introduction and Background

The Local Council Tax Scheme 2016/17

- 2.1 The design of each LCTS scheme must be finalised by 31 January ahead of the relevant year to which it relates. Failure to provide a scheme by this date will trigger the implementation of a default government scheme. The default scheme would require the Council to revert back to the level of support that would have been provided under the national council tax benefit arrangements.
- 2.2 Local authorities will take on the risk that liabilities under LCTS exceed the amount projected for at the start of the relevant financial year. This risk is shared between billing and major precepting authorities with about 15% of the council tax collected by the Council being paid over to the Essex County Fire and Rescue Service and Essex Police.

- 2.3 The scheme impacts on the council tax base, a key component in estimating the resources available to the Council, and hence the scheme is agreed by Cabinet prior to them agreeing the council tax base.

Setting the Council Tax Base 2016/17

- 2.4 The Valuation Officer of the Inland Revenue (called the Listing Officer for council tax purposes), places each property in the Borough in one of eight valuation bands. Each band relates to the estimated capital value of the property as at 1st April 1991. Examples are that the lowest band (A) covers properties that were then up to a value of £40,000 whereas the highest band (H) covers all properties which then exceeded £320,000 in value.
- 2.5 Having done this, the Listing Officer produces a Valuation List, which shows the band allocated to each property. The individual properties are then added together to produce the total number of properties in each band and the total of all properties in the borough. The current list for this Authority gives the following results:

<u>BAND</u>	<u>NUMBER OF PROPERTIES</u>
A	7,360
B	13,142
C	26,366
D	11,481
E	4,440
F	2,079
G	784
H	41
Total	65,693

- 2.6 From this it can be seen that 71.3% of Thurrock properties are in Bands A-C.
- 2.7 Each band will be charged a different amount of tax. The proportion payable by each band is laid down by statute. A Band D property was taken as the national average and occupants of these properties will therefore pay the base rate of tax. Lower banded properties pay less (Band A properties pay two thirds of the Band D rate) while higher banded properties pay more (Band H properties pay twice the Band D rate).
- 2.8 As required, the full calculation of the tax base is set out in Appendix 4 to this report.

The Final Calculation:

2.9 2013/14 saw the introduction of the LCTS that required those of working age that were in receipt of council tax benefit to now have to pay a minimum of 25% of the annual charge. As this applies to the more vulnerable sections of the community, it is not surprising to see lower rates of collection from this group. On non LCTS bills, the Council is collecting circa 99%. Adjusting for LCTS, it is prudent to set an overall collection rate of 98.75% and so account for a lower collection rate for this group. After this and other adjustments have been made, the final tax base would look as follows:

<u>BAND</u>	<u>NUMBER OF PROPERTIES</u>
A*	4
A	2,902
B	7,474
C	19,311
D	10,139
E	4,971
F	2,815
G	1,211
H	29
Total	48,856

A* is Band A properties entitled to Disabled Relief reduction.

Determination of the Collection Fund Balances 2015/16

2.10 This report sets out the information required for Council to approve:

- the determination of the estimated balance of the Council Tax Collection Fund that will be apportioned between the Council and the major precepting authorities (the Police and Fire Authorities); and
- the determination of the estimated balance of the Business Rate Collection Fund that is apportioned between the Council, Central Government and the Fire Authority in accordance with regulations.

The Council's Constitution does not delegate this determination to Cabinet or any officer and so requires a decision from Council.

2.11 Each billing authority is required to maintain a separate Collection Fund which shows its transactions in relation to business rates and council tax and illustrates the way that these have been distributed to preceptors and the General Fund.

2.12 The key reasons for balances arising on the Collection Fund are:

- The estimated council tax base will differ from the actual position throughout the year. The base comprises of the number of properties, the number of voids and the various discounts and exemptions awarded, it is inevitable that these will change and that a difference will arise;
- The business rates estimated at the start of the year and any predicted growth in those rates may differ from the actual amounts collectable from business rate payers, mainly as a result of growth and business closures; and

The Collection Fund also includes contributions to the bad debt provisions for council tax and business rates which are reassessed each year.

2.13 Council Tax billing authorities are required by the Local Authorities (Funds) (England) Regulations 1992 to estimate any surplus or deficit on their Council Tax Collection Fund for the year as at 15 January every year and, at the same time, apportion such amount between themselves and the major precepting authorities.

2.14 Billing authorities are required by the Local Government Finance Act 2012 to estimate any surplus or deficit on their Business Rate Collection Fund for the year as at 15 January every year and, at the same time, apportion such amount between themselves and the major precepting authorities in accordance with regulations. This is then notified to central government through the NNDR 1 form which will be issued in due course. This will be populated using the data supporting the position included in this report and will form the calculation of available resources to be included in the final budget proposals.

2.15 Based on the latest forecasts of collections and write offs the Council Tax Collection Fund is estimated to be a surplus of £1,199,312 as at 31 March 2016. This is apportioned to the major preceptors as follows:

Major Precepting Authority	£
Thurrock Council	1,007,909
Essex Police Authority	131,877
Essex Fire Authority	59,526
Total Allocated	1,199,312

2.16 The Council's share of the balance is a surplus of £1,007,909 which needs to be taken account of in the budget for 2016/17 and has been included in the medium term financial strategy (MTFS).

2.17 Based on the latest forecasts of collections and write offs the Business Rates Collection Fund is estimated to have a deficit of £5,761,084 as at 31 March 2016. This is apportioned under regulations as follows:

Major Precepting Authority	£
Thurrock Council	2,822,931
Central Government	2,880,542
Essex Fire Authority	57,611
Total Allocated	5,761,084

- 2.18 The Council's share of the balance is a deficit of £2,822,931 which needs to be taken account of in the budget for 2016/17 and has been included in the MTFS.
- 2.19 The cause of the ongoing deficit on the fund was the provision for the impact of appeals lodged with the Valuation Office. The impact of specific appeals on the Council's resources is a one off charge linked to the refund of backdated appeals and then an annual reduction going forwards. The Council's share of these charges is 49% with the remaining share split between Central Government (50%) and Essex Fire Authority (1%). The reduction in business rates income in the Collection Fund was £14.8m between 1 April 2013 and 31 March 2015. This reduced council income by £7.3m in this period.
- 2.20 There is a specific emerging issue in regard to the treatment of purpose built GP surgeries. A legal ruling meant further provision has been made for appeals received in respect of these properties. This could result in a backdated one off charge to the Collection Fund of up to £2.1m with an ongoing cost of up to £0.36m per annum. The impact on the Council would be a one-off charge of up to £1.03m with an ongoing cost of £0.176m.
- 2.21 This report is also one of the components required for the setting of the 2016/17 budget and Council Tax. It does not fix the council tax rate. This will be decided as part of the 2016/17 budget reports, which will be considered in February 2016. The Council's Constitution does not delegate this determination to Cabinet or any officer and so requires a decision from Council.

3. Issues, Options and Analysis of Options

Local Council Tax Scheme 2016/17

- 3.1 Officers initially used the modelling tools provided by Northgate IT software providers (who support the Council's revenues systems) to test a variety of possible schemes. The key variables were: definition of income, level of disregard for weekly earnings, level of savings at which households would not be eligible for support.
- 3.2 From 2014/15, any specific funding for the LCTS scheme is rolled up into the main Revenue Support Grant (RSG) as provided to local authorities by the Government. It will be entirely for local authorities to decide how much they

are prepared to spend on their LCTS scheme. Officers have considered the findings from the consultation undertaken recently which supported the proposed scheme for 2016/17. Officers have also reviewed the structure of the scheme and noted the cost of the scheme has reduced from £8.5m to approximately £8.0m since 1 April 2013. This has increased the council tax base and reduced the cost of the scheme since inception. Given these findings officers recommend continuing the scheme based on the same principles with an adjustment made for the eligible period for backdating claims.

- 3.3 The impact of reducing the support offered by the scheme from a maximum entitlement of 75% of the council tax liability is shown in the table below and includes three scenarios (and assumes 100 per cent collection of the liability):

Max Entitlement	Claimants Affected	Reduction to cost of scheme	Average Additional annual charge to Claimant
70%	5529	£246,320	£45
65%	5596	£495,575	£89
60%	5692	£748,944	£132

Officers have considered the potential savings in each of these scenarios. However there is concern there will be a reduction in the ability to pay of people within the scheme as support is withdrawn and this will offset the savings identified above. It is noted that a 10 per cent reduction in collection rates would equate to approximately £210,000 of lost income. In addition to date there have been significant reductions in the expected support required as claimants have moved into employment.

- 3.4 Officers have maintained a close working relationship with other Essex authorities and have continued to work on the same principles that were originally agreed at the start of the LCTS schemes – this includes:

- a common approach to consultation between the billing and major precepting authorities;
- joint working on consultation on scheme designs between Essex authorities and the public;
- a standardised approaches to processes such as claims, fraud and appeals;
- common components to scheme designs;
- there remains general consensus throughout Essex that the cost of the LCTS scheme will remain within the projected costs estimated each year.

- the schemes will as far as possible include any expected growth in demand and each authority will look to reduce the complex nature of the schemes and make them easier to claim and administer.

3.5 Some components of the LCTS scheme have been directed by Government such as:-

- All low income pensioners will be protected under the national framework as defined by DCLG.
- Consideration for protection for vulnerable working age groups will be allowed for.
- Each authority's scheme will maintain work incentives wherever possible. The Government continues to stress the importance of this principle given the current economic climate and their welfare reform agenda.

Setting the Council Tax Base 2016/17

3.6 The council tax base represents the Council's total taxable resources. A brief explanation of the method of calculation is given in this report. The full Council is required to make this calculation and, because it is also used by the police and fire authorities to calculate the precept payable, the precepting bodies must be notified of the result before 31st January in each year.

Determination of the Collection Fund Balances 2015/16

3.7 A key issue in this report is the accounting for the levels of business rate appeals that are with the Valuation Office. The calculation includes a provision for an increase in business rates of an additional £0.43m in 2015/16 bringing the total provision to £15.26m. This is based on the levels of appeals waiting to be heard and an assessment of their likelihood of success. This figure could obviously change significantly and any variation would be accounted for in the setting of the 2016/17 budget.

4. Reasons for Recommendation

Local Council Tax Scheme 2016/17

- 4.1 The collection rate for 2014/15 for council tax from those in the scheme was 96.1per cent. The design of the scheme, which builds in various protections and incentives, supports a high collection rate. In order to maintain collection rates the key elements of the scheme are unchanged in 2016/17.
- 4.2 The LCTS expenditure for 2014/15 was £8.2m. The expenditure for 2015/16 is estimated to be circa £8.0m of which circa £3.75m relates to claimants of pensionable age. It is expected that individual working age awards will

increase following welfare reforms that will reduce tax credits beginning April 2016. The expected cost of the scheme for 2016/17 is proposed at £8.5m to allow for any potential additional cost to the scheme.

- 4.3 The introduction of Universal Credit in the Authority for single unemployed people has not made any significant change to the amount of LCTS awarded to claimants.

Setting the Council Tax Base 2016/17

- 4.4 The council tax base must be set in accordance with legal requirements.

Determination of the Collection Fund Balances 2015/16

- 4.5 There is a legal requirement to agree the collection fund balance calculations and to include it within the budget setting process.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The LCTS is subject to an annual public consultation to seek views on the design and operation of the proposed scheme.
- 5.2 Appendix 1 highlights the 6 questions asked as part of the LCTS consultation together with the responses received. These were:

Question 1 - Asked should the percentage discount remain the same at a maximum 75% of the council tax billed. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

Question 2 - Dealt with the maximum amount of capital an applicant can hold before being excluded from support. This asked if £6,000 for working age residents and £16,000 for pension age is reasonable. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

Question 3 - Asked should the first £25.00 of wages continue to be disregarded from claims to provide a working incentive. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

Question 4 - Asked whether child benefit and child maintenance should continue to be disregarded. The majority of responses indicate these elements should be included in the scheme. Officers have considered this but have noted that by continuing to disregard these elements when awarding LCTS the Council will reduce child poverty. Hence officers recommend maintaining this disregard.

Question 5 - Asked if the limit for the period a claim can be backdated for claimants who can prove 'good cause' for not claiming earlier should be altered from 6 months to 4 weeks. This change is in line with changes to Housing Benefit from 1 April 2016. This was largely supported by the results of the consultation and is recommended as a proposed change to the scheme.

Question 6 - Asked if the current 100 per cent disregard of income from military compensation payments, such a war widow and disablement pension, should continue. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

- 5.3 The responses support the current design of the scheme.
- 5.4 There is no consultation required for the Council Tax base and Determination of the Collection Fund balances.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The Council is required to have a LCTS scheme and hence the proposed scheme meets this requirement. The scheme supports claimants in the community and ensures the revenue raised is collectible supporting the medium-term financial strategy.
- 6.2 The Council also has a fair debt policy and this is reflected in the collection of council tax from claimants in the scheme.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance

Local Council Tax Scheme 2016/17

The financial implications are set out in the body of the report. Any increases to the amounts billed to residents need to be balanced against likely collection rates. The overall amount to be provided by Government towards 2016/17 is now absorbed into the RSG. Consequently the scheme is funded within the overall grant funding but also needs to consider the fairness of individual measures and the financial needs of the Council. The projected cost of this scheme is expected to be £8.5m for 2016/17. This scheme is in line with the current MTFS assumptions.

Setting the Council Tax Base 2016/17

A council tax base of 48,856 is an increase 967 over the 2015/16 council tax base of 47,889 that, at the level of the 2015/16 council tax, would raise an additional £1.09m. This increase has already been factored into the MTFS.

Determination of the Collection Fund Balances 2015/16

The Council's share of the Council Tax Collection Fund surplus is £1,007,909 and the share of the Business Rates Collection Fund deficit is £3,508,931. This has been considered in setting both the budget and MTFS.

7.2 **Legal**

Implications verified by: **David Lawson**
Deputy Head of Legal and Governance

Local Council Tax Scheme 2016/17

The Council Tax Benefit system was abolished by Section 33 of the Welfare Reform Act 2012. The Local Government finance bill prescribed certain steps in the design of a local scheme, such as consultation and publication, and enables the Secretary of State to introduce both regulations and guidance relating to local schemes. The Government has included regulations to ensure that pensioners will not lose or gain relative to the previous system.

The LCTS scheme must be ratified by full Council by the 31 January 2016 at the latest to enable the authority to implement the scheme from 1 April 2016.

Setting the Council Tax Base 2016/17

The council tax base must be calculated in accordance with the Local Authorities (Calculation of Tax Base) Regulations 2003 and Section 33 of the Local Government Finance Act 1992.

Determination of the Collection Fund Balances 2015/16

Council Tax billing authorities are required by the Local Authorities (Funds) (England) regulations 1992 to estimate any surplus or deficit on their Council Tax Collection Fund as at 15 January every year.

Business Rate billing authorities are required under the Local Government Finance Act 2012 to estimate any surplus or deficit on their Business Rate Collection Fund at 15 January every year.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**
**Community Development and Equalities
Manager**

The Council has a duty as set out in the Equality Act 2010 to consider the equality impact of its policies and decisions. The LCTS can be claimed by anyone in the Borough meeting the eligibility criteria.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

In terms of risk, the estimated council tax base includes prudent assumptions about the tax base and changes in exemptions, voids, discounts and the provision for bad debts.

The assumptions underpinning the amounts of business rate collectable and any associated bad debt provision are also considered to be prudent.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Statement of Accounts 2014/15
- Working papers retained by Corporate Finance
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9. **Appendices to the report**

- Appendix 1 - LCTS Survey Results October 2015
- Appendix 2 - Survey comments October 2015
- Appendix 3 - LCTS survey Diversity Information October 2015
- Appendix 4 - Detailed calculation of the 2015/16 Council Tax Base

Report Author:

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Corporate Finance