

# Money Matters : Calculation of Business Rates 2019/20, Council Tax Base for 2019/20 and the projected Collection Fund Surplus / Deficit for 2018/19

Cabinet Member for Finance and Democracy

|                    |  |
|--------------------|--|
| Date:              | 4 December 2018  |
| Agenda Item:       | 3  |
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| Key Decision?      | YES  |
| Local Ward Members | Full Council   |



Cabinet

## 1. Executive Summary

- 1.1 To approve the calculation of the Council Taxbase (Band D residential properties) for Lichfield District, as required under Section 67 of the Local Government Finance Act (LGFA) 1992.
- 1.2 In accordance with the LGFA 1992, the Council is required to estimate the surplus/deficit on the Collection Fund for both Council Tax and Business Rates. The dates these estimates must be made are:
  - Council Tax – **15 January** (or in the event this a Saturday, Sunday or Bank Holiday, the next working day). In 2018/19 the relevant date will be **15 January 2019**.
  - Business Rates (NNDR) – **31 January** using the NNDR1 Form.
- 1.3 The Council as the Billing Authority must then notify each relevant major Precepting Authority of their share of any estimated surplus or deficit within seven days of making the estimate.
- 1.4 The Council must submit its estimates for Business Rates to the Ministry of Housing, Communities and Local Government (MHCLG) using the NNDR1 form. This form includes:
  - An estimate of the Business Rates Collection Fund surplus/deficit for the current year.
  - Estimates of the level of Business Rates to be collected for the forthcoming financial year.
- 1.5 The timing of the NNDR1 form is uncertain. To enable completion by the statutory deadline, a delegation to the Cabinet Member for Finance and Democracy and the Chief Financial Officer is recommended.
- 1.6 There is an opportunity to update the Council Tax discounts policy to reflect recent legislative changes.

## 2. Recommendations

- 2.1 Cabinet recommend to Council to approve an update to Council Tax discounts:
  - To remove the **2 month period** for unoccupied and unfurnished domestic property from 1 April 2019.
  - To update the discounts on long term empty properties of 2 years or more:
    1. From 1 April 2019 an increase up to **200%** (currently **150%**).
    2. From 1 April 2020 for properties empty for less than 5 years up to **200%** and at least 5 years up to **300%**.
    3. From 1 April 2021 for properties empty for less than 5 years up to **200%**, at least 5 years but less than 10 years up to **300%** and at least 10 years up to **400%**.
- 2.2 Subject to approval of 2.1, Cabinet recommend to Council to approve in accordance with the relevant legislation and regulations, the Council Taxbase (Band D residential properties) for Lichfield District for the financial year 2019/20 of **38,010.8** (non-approval of 2.1 would reduce the Taxbase by 171.5 to 37,839.3).
- 2.3 To note the estimated Council Tax Collection fund Surplus of **(£230,300)** and the estimated Business Rates Collection Fund surplus of **(£529,800)** for 2018/19.
- 2.4 To delegate authority to the Cabinet Member for Finance and Democracy and the Chief Financial Officer (Section 151) to complete and certify the NNDR1 for 2019/20 on behalf of the Council.

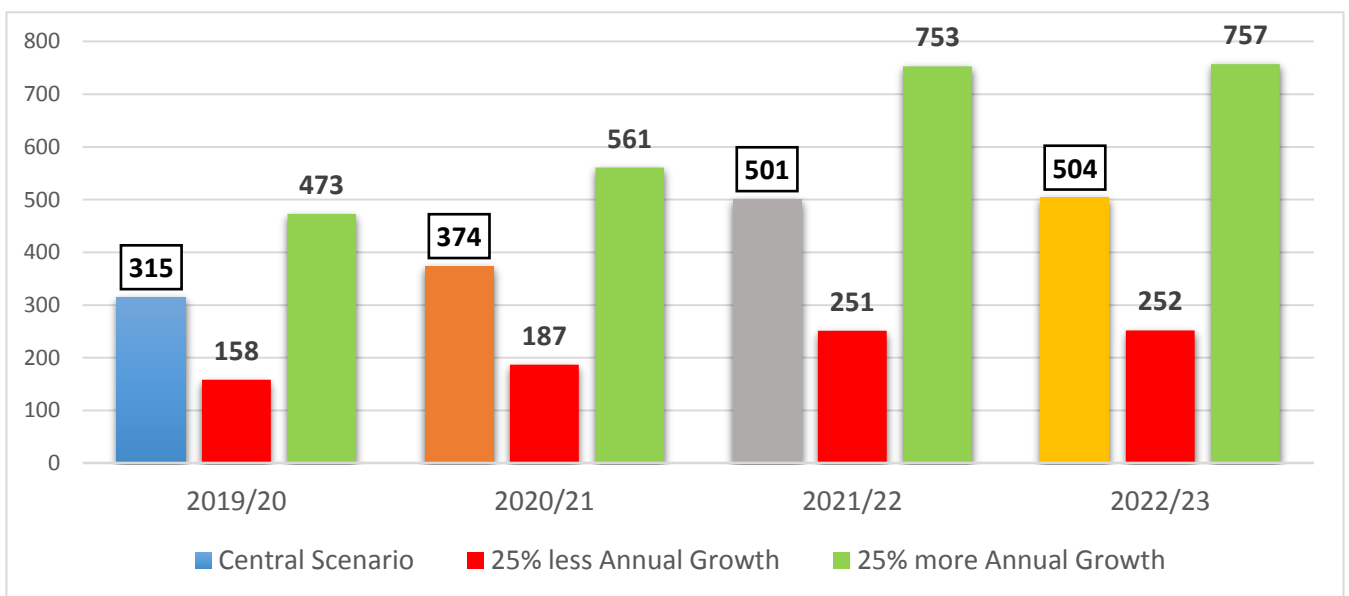
### 3. Background

#### Council Taxbase

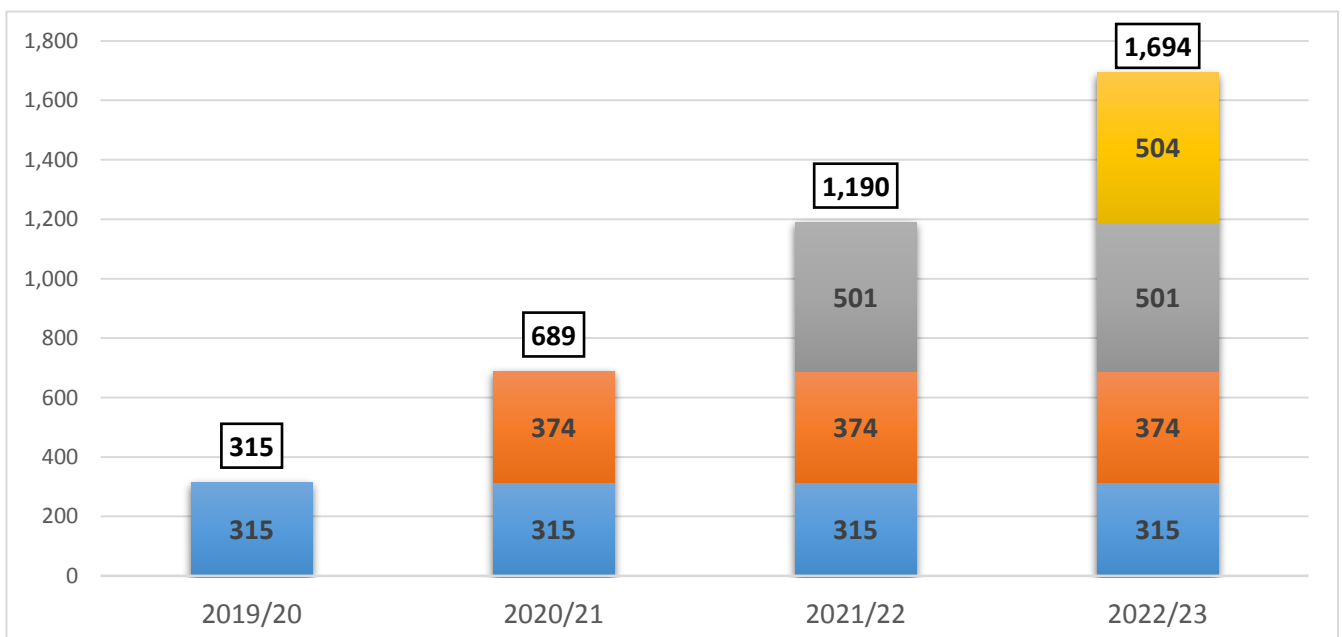
- 3.1 The Council Taxbase represents Band D residential properties within the District for Council Tax purposes.
- 3.2 The calculation includes an allowance for property growth. The starting point is the Five Year Housing Supply and this is adjusted by factors for risks such as delays or non-delivery and to convert growth to Band D equivalents.

#### Property Growth

- 3.3 The property growth (Band D Equivalents) estimated for the period of the Medium Term Financial Strategy based on the Mid-Point or central scenario of **50%** (over the last four years the average is 58%) of planned property growth (shown as leftmost column for each year) being delivered plus two alternatives (25% and 75% of planned property growth), is shown in detail at **APPENDIX A** and in summary in the graph below:



- 3.4 The central scenario is also shown on a cumulative basis in the graph below. These growth projections will also be used as part of the calculation of New Homes Bonus income (or its replacement).

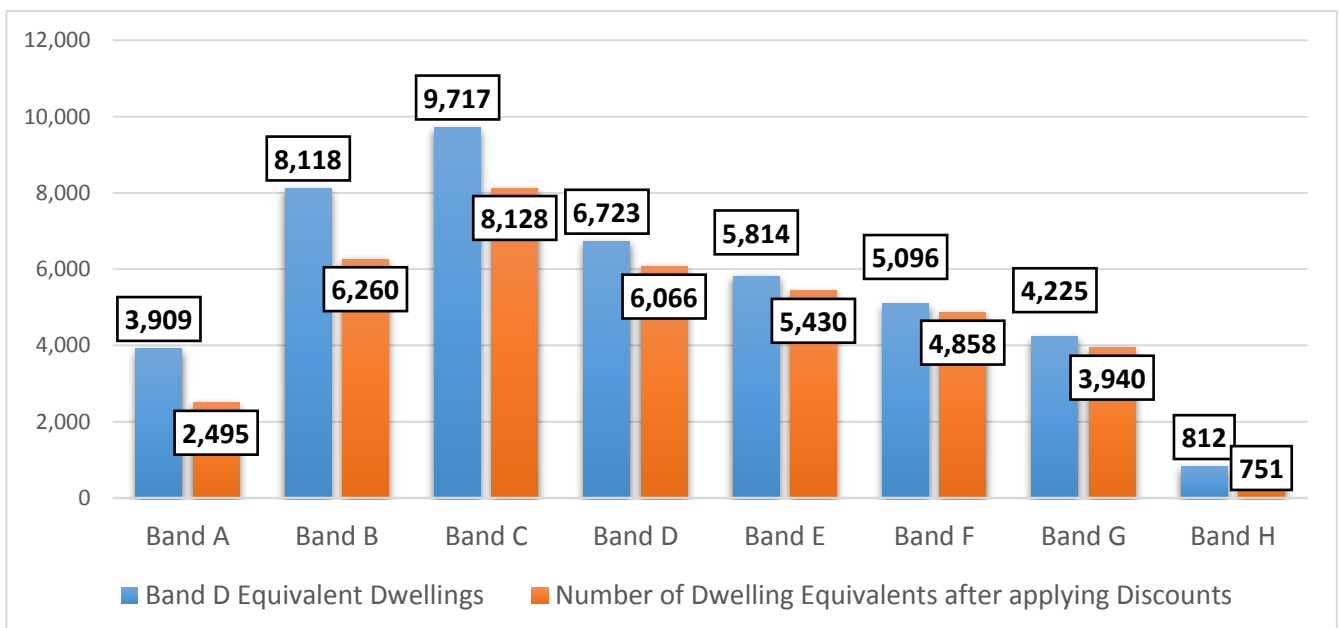


### Council Tax Discounts

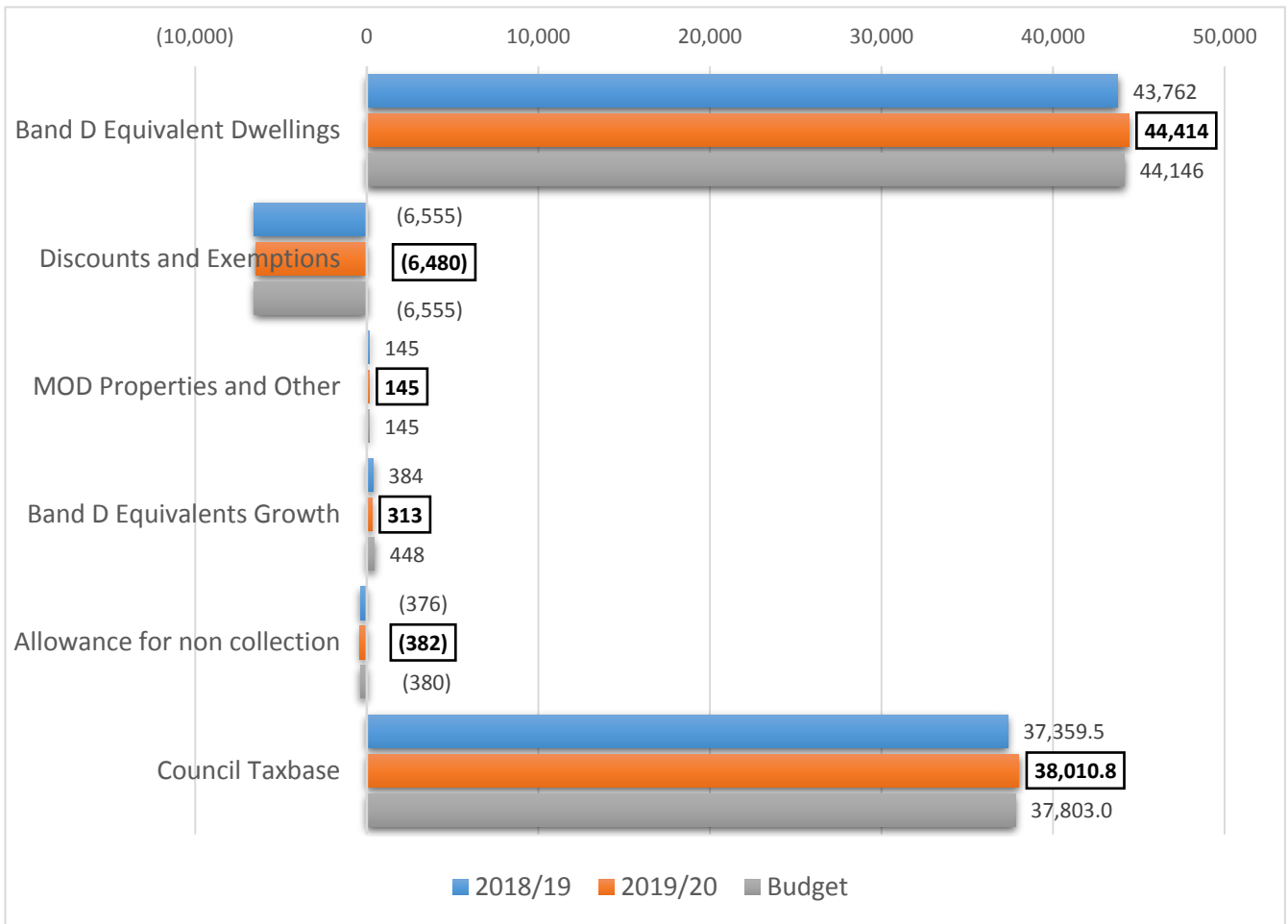
- 3.5 The Council’s current approved approach for properties that are unoccupied and unfurnished is to allow a period of two months before Council Tax is charged. This practice creates an additional administrative burden for both the Council and the Owner/Occupier and therefore it is recommended that this practice is updated to remove the two months period.
- 3.6 In addition, the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received Royal Assent on 1 November 2018 and this Act enables the Council to charge a higher amount for long term empty dwellings of 2 years or more.
- 3.7 The charges permitted by the Act:
- From 1 April 2019 an increase up to **200%** (currently **150%**).
  - From 1 April 2020 for properties empty for less than 5 years up to **200%** and at least 5 years up to **300%**.
  - From 1 April 2021 for properties empty for less than 5 years up to **200%**, at least 5 years but less than 10 years up to **300%** and at least 10 years up to **400%**.
- 3.8 The implementation of these charges would potentially provide a greater incentive for owners to make these dwellings available for occupation at a time when housing demand significantly exceeds supply.

### Council Taxbase Calculation

- 3.9 The Council Taxbase is calculated as follows:
- The Band D equivalent dwellings (the dwellings in each Council Tax Band multiplied by the Band D ratio).
  - The Band D equivalent dwellings are reduced by discounts such as single person discount or Local Council Tax Support and exemptions.
  - An allowance is made for contributions in lieu of Council Tax for Ministry of Defence Properties.
  - An estimate is made for property growth during 2019/20.
  - A projection is made for non-collection/in year change of **1%**. This reflects the risks and opportunities related to in year changes in properties, exemptions and discounts together with the collection rate (**97.49%** in 2016/17 and **97.47%** in 2017/18).
- 3.10 The Council Taxbase (Band D equivalents) by Council Tax band for the District in 2019/20 prior to and after discounts and exemptions is shown in the graph below and in detail at **APPENDIX B**.



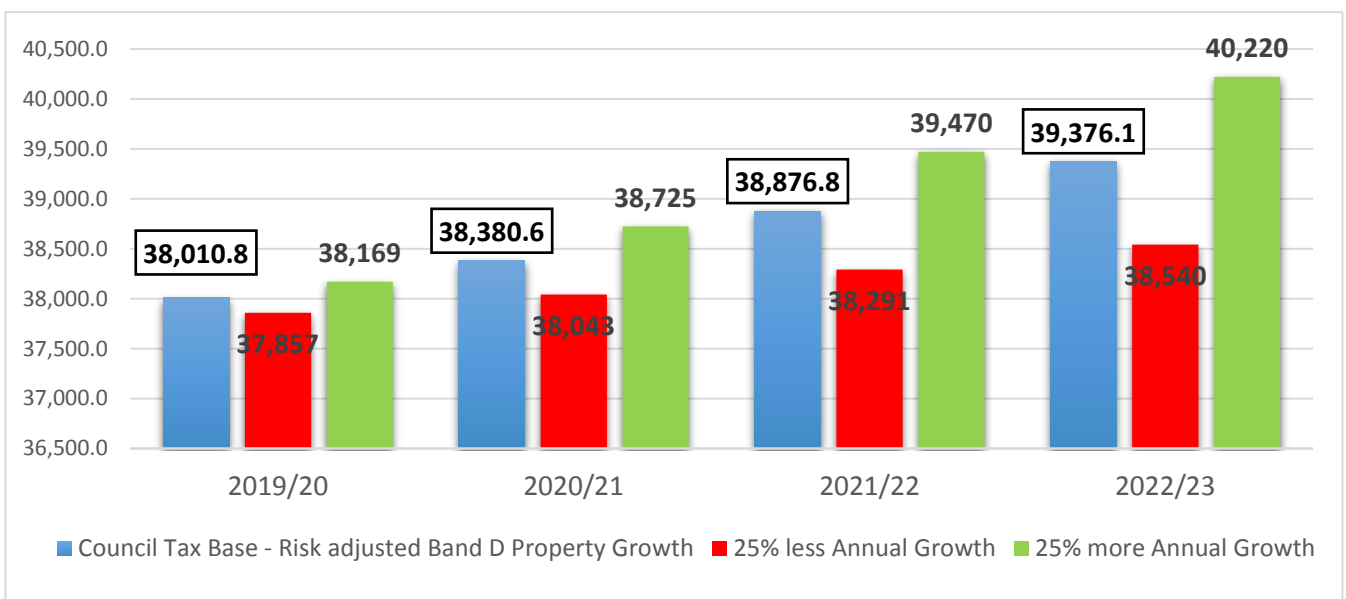
3.11 The figures in the calculation of the Council Taxbase for 2019/20 of **38,010.8** compared to the calculation for 2018/19 of **37,359.5** and the Approved Budget for 2019/20 of **37,803.0** are shown below:



3.12 The Council Taxbase will be used by this Council, Parish Councils, Staffordshire County Council, the Office of the Police and Crime Commissioner and Staffordshire Fire and Rescue to calculate their element of the Council Tax for 2019/20.

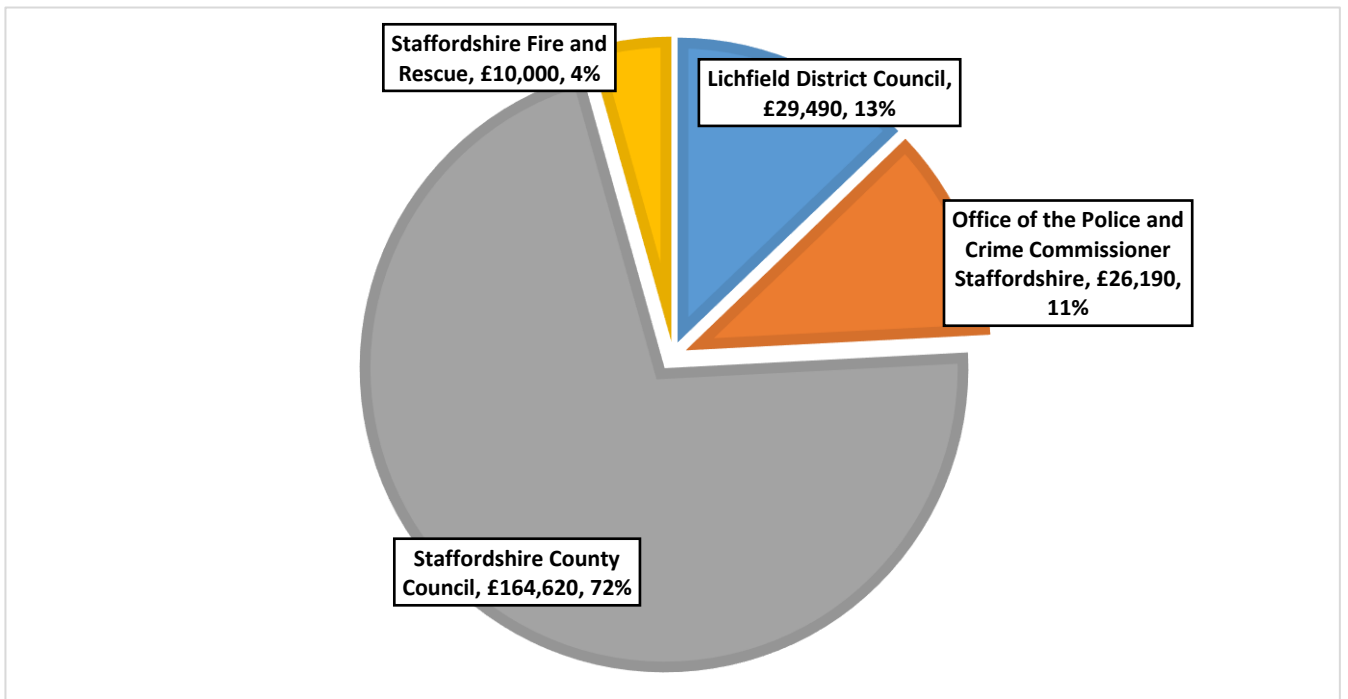
3.13 The Council Taxbase for 2019/20 by Parish area is shown at **APPENDIX C**.

3.14 In addition, to the Council Taxbase for 2019/20, the graph below shows the Council Taxbase for 2019/20 to 2022/23. This information will be used in the Medium Term Financial Strategy for the calculation of Council Tax income.



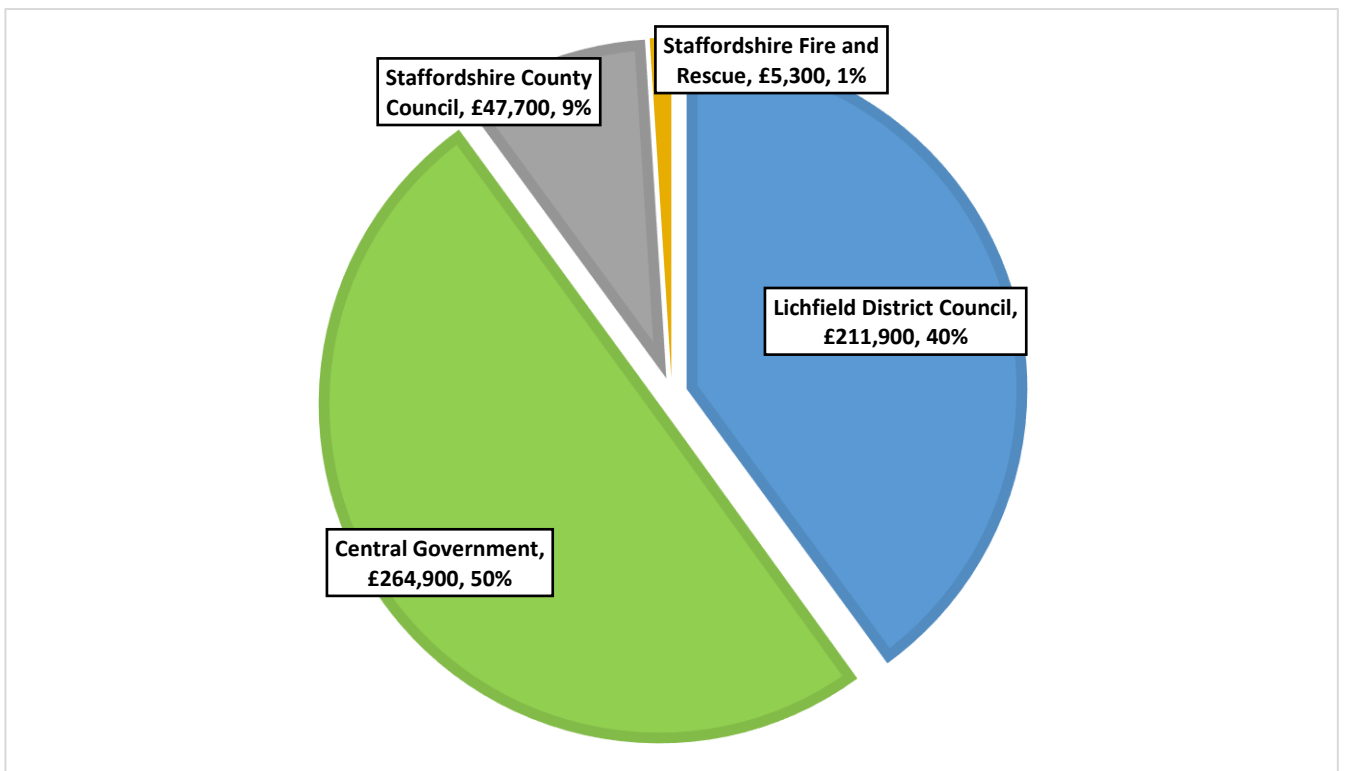
### The Projected Council Tax Collection Fund Surplus for 2018/19

3.15 The six months projected Council Tax Collection Fund Surplus for 2018/19 of (£230,300) and its distribution to partners in 2019/20 is shown in the graph below (Lichfield's share of 13% includes Parish Councils):



### The Projected Business Rates Collection Fund Surplus for 2018/19

3.16 The six months projected Business Rates Collection Fund Surplus for 2018/19 of (£529,800) and its distribution to partners in 2019/20 is shown in the graph below:



|  |  |
|--|--|
| Alternative Options                                | The calculation of the Council Taxbase and Collection Fund surpluses and deficits must be undertaken in line with statutory requirements and therefore there are no alternative options.   |
| Consultation                                       | There has been no consultation specifically about this Report due to the statutory nature of calculations.   |
| Financial Implications                             | <p><u>Council Tax</u></p> <p>The removal of the 2 month discount for properties that are unoccupied and unfurnished would increase the Council Taxbase and this would result in additional Council Tax of circa <b>£30,000</b> per annum for this Council.</p> <p>The Council Taxbase Form as at 1 October 2018 shows <b>120</b> properties (135 Band D Equivalent) classed as empty for more than 2 years and therefore being charged the Empty Homes Premium of 150%. This premium currently results in Council Tax for this Council of circa <b>£34,000</b>.</p> <p>The implementation of an increase in the premium from 1 April 2019 to 200% (assuming no change in property numbers) would result in Council Tax for this Council of circa <b>£45,000</b>.</p> <p>However, the aim of the policy is to incentivise owners to make these properties available for occupation. Therefore the implementation of the policy should result in a reduction in the numbers of long term empty properties and as a consequence no adjustment will be made to the Council Taxbase.</p> <p><u>New Homes Bonus</u></p> <p>In addition, the level of long term empty properties is part of the current New Homes Bonus regime with an increase reducing the payment and a reduction increasing the payment. Therefore under the current regime, should the policy prove to be successful, then additional New Homes Bonus would be received.</p> <p>However the New Homes Bonus regime is subject to review for the 2020/21 financial year and this could mean, assuming New Homes Bonus remains, empty property levels no longer form part of the new regime.</p> |
| Contribution to the Delivery of the Strategic Plan | The Medium Term Financial Strategy (MTFS) underpins the delivery of the Strategic Plan 2018-23.  |
| Equality, Diversity and Human Rights Implications  | <p>An Equalities Impact Assessment for the recommended changes to Council Tax discounts has been completed.</p> <p>The aim of the long term empty properties policy change is to incentivise owners to make these properties available for occupation. Therefore the implementation of the policy should result in a reduction in the numbers of long term empty properties resulting in an increase in housing available for occupation.</p>  |
| Crime & Safety Issues                              | None identified in this report.  |

GDPR/Privacy  
Impact Assessment

None identified in this report.

|   | Risk Description  | How We Manage It  | Severity of Risk (RYG) |
|---|---|---|------------------------|
| A | Decrease in the Collection rates for Business Rates (NNDR) and Council Tax.                     | The periodic Money Matters Reports to Cabinet and Strategic (Overview and Scrutiny) Committee provide information on collection rates.  | Yellow – Material      |
| B | The assumed level of growth included in the calculation of the Council Taxbase is not achieved. | The periodic Money Matters Reports to Cabinet and Strategic (Overview and Scrutiny) Committee provide information on housing growth.  | Yellow – Material      |
| C | The assumed level of discounts and exemptions increases.  | The periodic Money Matters Reports to Cabinet and Strategic (Overview and Scrutiny) Committee provide information on the projected surplus or deficit in the Council Tax Collection Fund. | Yellow – Material      |
| D | Failure to calculate the Council Taxbase and Collection Fund Surplus or Deficit                 | These are calculated in accordance with the Local Government Finance Act 1992 and relevant regulations.   | Green - Tolerable      |

Background documents

- Local Government Finance Act 1988
- Local Government Finance Act 1992
- Local Authorities (Calculation of Council Taxbase) Regulations 1992 (as amended).
- Local Government Act 2003
- Council Taxbase (CTB) Return at October 2018
- Money Matters : Council Tax, National Non Domestic Rates and Pension Contributions - Cabinet 6 December 2018
- Medium Term Financial Strategy (Revenue and Capital) 2017-22 - Cabinet 13 February 2018
- Money Matters : 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 4 September 2018
- Medium Term Financial Strategy (Revenue and Capital) 2018-23 - Cabinet 9 October 2018
- Money Matters : 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 4 December 2018
- Equalities Impact Assessment

Relevant web links

Provision for Housing Growth

|   | 2018/19    | Medium Term Financial Strategy |            |            |            |
|---|------------|--------------------------------|------------|------------|------------|
|   |            | 2019/20                        | 2020/21    | 2021/22    | 2022/23    |
| Provision for Growth                                      |            |                                |            |            |            |
| Housing Completions per SHLAA                             | 855        | 701                            | 831        | 1,115      | 1,122      |
| Risk Allowance for Non-Completions and timing differences | 50%        | 50%                            | 50%        | 50%        | 50%        |
| Housing Completions Projection                            | <b>428</b> | <b>351</b>                     | <b>416</b> | <b>558</b> | <b>561</b> |
| Band D Ratio  | 0.90       | 0.90                           | 0.90       | 0.90       | 0.90       |
| <b>Band D Equivalent</b>                                  | <b>384</b> | <b>315</b>                     | <b>374</b> | <b>501</b> | <b>504</b> |

|                        |
|------------------------|
| 25% less Annual Growth |
| 25% more Annual Growth |

|     |     |     |     |
|-----|-----|-----|-----|
| 158 | 187 | 251 | 252 |
| 473 | 561 | 753 | 757 |



### The Council Taxbase Return and the Council Taxbase for the purposes of setting the Council Tax in 2019/20

|  | Band A<br>Disabled<br>Relief | Band A           | Band B           | Band C           | Band D         | Band E         | Band F         | Band G         | Band H        | Total<br>2019/20 | Total<br>2018/19 | Total<br>2017/18 |
|--|------------------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|---------------|------------------|------------------|------------------|
| Total Number of Dwellings on the Valuation List                | 0.0                          | 5,864.0          | 10,437.0         | 10,932.0         | 6,723.0        | 4,757.0        | 3,528.0        | 2,535.0        | 406.0         | 45,182.0         | 44,515.0         | 44,146.0         |
| Ratio to Band D  | 5/9                          | 6/9              | 7/9              | 8/9              | 9/9            | 11/9           | 13/9           | 15/9           | 18/9          |                  |                  |                  |
| <b>Band D Equivalent Dwellings</b>                             | <b>0.0</b>                   | <b>3,909.3</b>   | <b>8,117.7</b>   | <b>9,717.3</b>   | <b>6,723.0</b> | <b>5,814.1</b> | <b>5,096.0</b> | <b>4,225.0</b> | <b>812.0</b>  | <b>44,414.4</b>  | <b>43,761.6</b>  | <b>43,396.0</b>  |
| <u>Discounts and Exemptions</u>                                |                              |                  |                  |                  |                |                |                |                |               |                  |                  |                  |
| Exempt Dwellings   | 0.0                          | (88.7)           | (95.7)           | (168.9)          | (106.0)        | (50.1)         | (39.0)         | (55.0)         | (12.0)        | (615.3)          | (578.6)          | (536.2)          |
| Disabled Relief  | 13.9                         | 30.7             | 11.7             | (44.4)           | 5.0            | (3.7)          | 5.8            | (45.0)         | (30.0)        | (56.1)           | (53.4)           | (55.1)           |
| Single Person Discount - 25%                                   | (2.1)                        | (523.8)          | (753.1)          | (777.3)          | (411.0)        | (268.6)        | (184.9)        | (152.9)        | (18.5)        | (3,092.2)        | (2,994.5)        | (2,903.7)        |
| Discount - 50%   | 0.0                          | (6.7)            | (3.1)            | (1.8)            | (1.0)          | (3.7)          | (2.9)          | (9.2)          | (1.0)         | (29.3)           | (26.4)           | (28.1)           |
| Local Council Tax Support Discount                             | (4.9)                        | (829.5)          | (1,025.6)        | (597.6)          | (149.0)        | (60.7)         | (24.2)         | (22.9)         | (1.4)         | (2,715.7)        | (2,796.8)        | (2,888.3)        |
| Other Discounts  | (0.3)                        | 3.4              | 7.8              | 0.9              | 5.0            | 3.1            | 7.2            | 0.0            | 2.0           | 29.1             | (105.8)          | (90.9)           |
| <b>Sub Total - Discounts and Exemptions</b>                    | <b>6.7</b>                   | <b>(1,414.6)</b> | <b>(1,858.0)</b> | <b>(1,589.2)</b> | <b>(657.0)</b> | <b>(383.7)</b> | <b>(238.0)</b> | <b>(285.0)</b> | <b>(60.9)</b> | <b>(6,479.5)</b> | <b>(6,555.6)</b> | <b>(6,502.3)</b> |
| <b>Number of Dwelling Equivalents after applying Discounts</b> | <b>6.7</b>                   | <b>2,494.8</b>   | <b>6,259.7</b>   | <b>8,128.2</b>   | <b>6,066.0</b> | <b>5,430.4</b> | <b>4,858.0</b> | <b>3,940.0</b> | <b>751.1</b>  | <b>37,934.9</b>  | <b>37,206.0</b>  | <b>36,893.7</b>  |
| Contributions in Lieu (MOD Properties)                         |                              |                  |                  |                  |                |                |                |                |               | 145.4            | 145.4            | 128.0            |
| <b>Council Taxbase Return (CTB) Taxbase</b>                    |                              |                  |                  |                  |                |                |                |                |               | <b>38,080.3</b>  | <b>37,351.4</b>  | <b>37,021.7</b>  |
| Provision for Growth   |                              |                  |                  |                  |                |                |                |                |               | 313.0            | 384.0            | 285.0            |
| Provision for Non Collection @ 1%                              |                              |                  |                  |                  |                |                |                |                |               | (382.5)          | (375.9)          | (371.7)          |
| <b>Total Council Taxbase for Council Tax Setting Purposes</b>  |                              |                  |                  |                  |                |                |                |                |               | <b>38,010.8</b>  | <b>37,359.5</b>  | <b>36,935.0</b>  |

## Council Taxbase for the purposes of setting the Council Tax in 2019/20 by Parish Area

| Parish Areas  | 2019/20<br>Apportioned<br>Taxbase | 2018/19<br>Apportioned<br>Taxbase | 2017/18<br>Apportioned<br>Taxbase |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Alrewas   | 1,207.0                           | 1,193.8                           | 1,169.4                           |
| Armitage with Handsacre                                       | 2,094.0                           | 2,065.2                           | 2,046.3                           |
| Burntwood   | 8,408.7                           | 8,275.6                           | 8,147.8                           |
| Clifton Campville with Thorpe Constantine                     | 366.0                             | 358.4                             | 360.6                             |
| Colton  | 329.2                             | 327.0                             | 321.5                             |
| Curborough and Elmhurst and Farewell and Chorley              | 245.6                             | 245.3                             | 241.2                             |
| Drayton Bassett   | 443.0                             | 429.4                             | 439.6                             |
| Edingale  | 271.8                             | 270.2                             | 267.8                             |
| Elford  | 286.5                             | 284.8                             | 285.1                             |
| Fazeley   | 1,484.3                           | 1,468.2                           | 1,458.9                           |
| Fradley and Streethay   | 1,614.2                           | 1,466.9                           | 1,356.5                           |
| Hammerwich  | 1,355.8                           | 1,352.0                           | 1,348.6                           |
| Hamstall Ridware  | 149.1                             | 145.2                             | 145.1                             |
| Harlaston   | 184.8                             | 184.3                             | 182.2                             |
| Hints and Canwell   | 180.8                             | 179.4                             | 175.1                             |
| King's Bromley  | 554.4                             | 548.1                             | 535.0                             |
| Lichfield   | 12,017.8                          | 11,866.2                          | 11,795.2                          |
| Longdon   | 753.1                             | 747.5                             | 741.0                             |
| Mavesyn Ridware   | 466.5                             | 440.4                             | 439.3                             |
| Shenstone   | 3,475.3                           | 3,456.0                           | 3,456.6                           |
| Swinfen and Packington  | 132.5                             | 130.5                             | 138.0                             |
| Wall  | 196.2                             | 196.1                             | 193.9                             |
| Weeford   | 95.3                              | 93.6                              | 95.4                              |
| Whittington and Fisherwick                                    | 1,164.0                           | 1,131.9                           | 1,118.9                           |
| Wigginton and Hopwas  | 535.0                             | 503.6                             | 476.0                             |
| <b>Total Council Taxbase for Council Tax Setting Purposes</b> | <b>38,010.8</b>                   | <b>37,359.5</b>                   | <b>36,935.0</b>                   |