



AGENDA ITEM: 8

SUMMARY

Report for:	Cabinet
Date of meeting:	8 January 2013
PART:	I
If Part II, reason:	

Title of report:	Budget Preparation, Council Tax Base and Fees and Charges																																				
Contact:	Cllr Nick Tiley, Portfolio Holder for Finance & Resources Sally Marshall, Corporate Director of Finance & Governance																																				
Purpose of report:	1. To agree the Collection Fund deficit as at 31/03/2013 2. To determine the Council Tax Base for 2013/14																																				
Recommendations	<p>1. That Cabinet approves the Collection Fund deficit estimate of -£290,718.33 as at 31 March 2013</p> <p>2. That Cabinet approves the calculation of the Council's tax base for the year 2013/14 incorporating a collection rate of 99.3%.</p> <p>3. That, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the amount calculated by the Council as its tax base for the year 2013/14 shall be 53,252.2 and its constituent elements shall be:</p> <table border="1"> <thead> <tr> <th>Part of Area Parished and Non Parished</th> <th>100% Tax base</th> <th>99.3% Tax base</th> </tr> </thead> <tbody> <tr> <td>Hemel Hempstead</td> <td>27,822.8</td> <td>27,769.6</td> </tr> <tr> <td>Aldbury</td> <td>453.2</td> <td>451.3</td> </tr> <tr> <td>Berkhamsted</td> <td>8,024.1</td> <td>7,991.8</td> </tr> <tr> <td>Bovingdon</td> <td>2,023.0</td> <td>2,014.9</td> </tr> <tr> <td>Chipperfield</td> <td>820.5</td> <td>817.4</td> </tr> <tr> <td>Flamstead</td> <td>608.6</td> <td>606.1</td> </tr> <tr> <td>Flaunden</td> <td>176.8</td> <td>175.9</td> </tr> <tr> <td>Great Gaddesden</td> <td>423.0</td> <td>421.4</td> </tr> <tr> <td>Kings Langley</td> <td>2,218.7</td> <td>2,210.4</td> </tr> <tr> <td>Little Gaddesden</td> <td>628.1</td> <td>625.3</td> </tr> <tr> <td>Markyate</td> <td>1,173.5</td> <td>1,169.7</td> </tr> </tbody> </table>	Part of Area Parished and Non Parished	100% Tax base	99.3% Tax base	Hemel Hempstead	27,822.8	27,769.6	Aldbury	453.2	451.3	Berkhamsted	8,024.1	7,991.8	Bovingdon	2,023.0	2,014.9	Chipperfield	820.5	817.4	Flamstead	608.6	606.1	Flaunden	176.8	175.9	Great Gaddesden	423.0	421.4	Kings Langley	2,218.7	2,210.4	Little Gaddesden	628.1	625.3	Markyate	1,173.5	1,169.7
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Corporate objectives:	Not applicable																					
Implications:	<p>Financial Providing details of the Collection Fund deficit estimated as at 31.03.13 assists the Council and other precepting authorities in the setting of their 2013/14 Council Taxes.</p> <p>The recommended Council Tax base shows an increase on the previous year which is due to additional Band D equivalent dwellings in the Borough.</p> <p>Legal Cabinet has delegated authority to set the Council Tax Base by virtue of Section 67 Local Government Finance Act 1992 (as amended) and the resolution of Council dated 19 January 2005.</p> <p>Value for money Not applicable</p>																					

Risk Implications	Not applicable
Monitoring Officer/S.151 Officer Comments	Deputy Monitoring Officer No further comments to add Section 151 Officer This is a Section 151 officer report
Consultees:	Not applicable
Background papers:	DCLG - CTB1 return Medium Term Financial Strategy (revised September 2012)

SUMMARY

- 1 This report is required to set the tax base for 2013/14 for Dacorum Borough Council so that it can be used in budget preparations and for the formal setting of the Council Tax by Council in February 2013. It is also necessary to approve the estimated Collection Fund surplus or deficit as at 31 March 2013.

COLLECTION FUND DEFICIT

How does a surplus or deficit occur?

- 2 The income from Council Tax less the precept payments for the County Council, Police, Borough Council and Parish Council requirements are summarised in the Collection Fund. If the actual number of properties or the allowance for exemptions, discounts or appeals vary from those used in the Council Tax Base, a surplus or deficit will arise. In 2011/12 and 2012/13 a deficit position has arisen and this is shared between the Major Preceptors, being the County, the Police Authority and the Borough in proportion to the precepts for the respective year. The deficit has primarily arisen because the timing of the completion of developments meant that fewer new properties were built than expected prior to the end of the relevant financial year.

Declaration of deficit

- 3 The actual surplus or deficit as at 31 March 2012, together with an estimate of the surplus or deficit for the current year is required to be approved by Cabinet on behalf of the Council.
- 4 The actual deficit balance on the Collection Fund as at 31 March 2012 was £716,553 compared to an anticipated deficit of £612,821.26 in 2011/12, a difference of £103,711.74.
- 5 In 2012/13, the Collection Fund is estimated to achieve a projected deficit of £187,006.59, of which the Council's proportion will be a projected deficit of £23,371.58. This arises from changes in numbers of properties, discounts given, band changes and other factors which have occurred since the tax base was agreed a year ago. The calculation of the Council Tax Base assumes an eventual collection of 99.3% with 0.69% allowed for uncollectable or bad debts. However, the need for further distribution of brought forward deficit (£103,711.74 shown in paragraph 4) means that there is now a projected total deficit on the Collection Fund at 31 March 2013 of £290,718.33.
- 6 The proportion that each Authority needs to contribute to the Collection Fund when calculating the Council Tax for 2013/14 as follows:

	£
Dacorum Borough Council	-35,667.72
Hertfordshire County Council	-225,285.54
Hertfordshire Police	<u>-29,765.07</u>
Total deficit	-290,718.33

- 7 Cabinet approval of the Collection Fund Deficit estimated at 31 March 2013 is sought in Recommendation 1.

COUNCIL TAX BASE 2013/14

- 8 On an annual basis, all local authorities are required to calculate a Council Tax Base which is used to set the level of Council Tax. The process is governed by the Local Authorities' (Calculation of Tax Base) Regulations 1992.
- 9 The tax base is set having regard to:
- The Valuation List
 - Current exemptions, reductions and discounts
 - Discretionary discounts
 - Anticipated developments that may occur during the year
 - Expected long term collection rate.
- 10 During 2011 the Government consulted on technical reforms of council tax. The Government has now announced changes to Council Tax discounts and exemptions in respect of second homes and certain empty properties. These technical reforms allow councils greater flexibility over certain discounts and exemptions that may apply to empty properties. There is also be a new power to charge an additional amount of Council Tax on properties that have been continuously empty for more than two years. The following changes will be introduced from 1st April 2013:
- Abolition of the current exemption class C (unoccupied and unfurnished) and allow councils to set their own levels of discount
 - Abolition of the current exemption class A (uninhabitable) and are allow councils to set their own levels of discount.
 - Allow councils to levy an 'empty homes premium' on properties that have been empty over 2 years
 - Allow the full Council Tax to be charged on second homes
- 11 During the autumn the Council consulted on proposals for local discounts and empty homes premium. The policy objective of the proposals was to provide greater incentive to bring empty properties back into use for housing purposes. The results of this consultation are attached at appendix A. Cabinet are requested to recommend to Council that the following local discounts and premiums are approved:
- An unoccupied and unfurnished property discount of 100% of Council Tax for three months, then a full charge
 - An uninhabitable property discount of 100% of Council Tax for three months, then a full charge.
 - A long term empty property discount of 100% for three months followed by a full charge (100%) of normal Council Tax until they have been empty for two years, then charge a premium of an additional 50% (a total of 150%) of Council Tax on properties empty for more than two years.
 - A full council tax charge of 100% for Second Homes.

These local discounts and premiums will be taken into account in the tax base calculation.

- 12 The basic methodology for calculating the tax base is as follows:

- Calculations are made of the 'relevant amount' for the year in respect of the valuation bands shown in the Council's Valuation List. For each band, this amount represents the estimated full year equivalent number of chargeable dwellings listed in the band after taking into account the impact of disabled band reductions and discounts.
 - The 'relevant amounts' for each band are then aggregated and expressed as an equivalent number of band D dwellings.
 - The Council then multiplies this aggregate of all relevant amounts by its estimate of its collection rate for the year. The resulting figure is the Council Tax Base for the year concerned.
 - The rules for calculating the Council Tax base for any part of a Council's area (eg, a parish, or that part of its area to which a levy or special levy relates) are the same as the rules for calculating the Council Tax base for the whole of its area for that year and the same estimated collection rate must be used.
- 13 The estimate of the collection rate is the only area over which the Council has any discretion and the level set must be a realistic one. Since 1997, the collection rate for Council Tax has been estimated at 99.5%. The estimated collection rate has been reviewed to take account of the impact of the implementation of the Localisation of Council Tax support scheme and amendments to exemptions and discounts. It is considered prudent that the collection rate is revised to 99.3% to reflect the risks associated with these changes and the current economic climate. However, this rate will be monitored throughout the year and if necessary an amendment to this rate will be recommended when setting the tax base for 2014/15. Recommendation 2 seeks Cabinet approval for an eventual collection rate of 99.3%.
- 14 The tax base for 2013/14 and its constituent elements have been calculated in accordance with this methodology and the results are proposed for approval in Recommendation 3.
13. Before adjustments for the Council Tax Support It is estimated that the Council Tax Base will increase by 0.19% (rounded) net compared to the approved tax base for 2012/13. The Tax Base for 2012/13 was 58,554.2 (after allowance for non-collection) compared with the estimated Tax Base for 2013/14 of 58,664.3. This represents an increase of 110.1 Band D equivalent properties.

Notification of Tax Base

15. Precepting Authorities and Levying Bodies
- 15.1 Between 1 - 31 December, major precepting authorities and levying bodies must notify the Council of those parts of their area for which tax base figures are required.
 - 15.2 Local precepting authorities may request information on their tax base during the same period.
16. Billing Authority

- 16.1 The Council must notify the requested tax base calculations to the appropriate bodies within the period 1 December – 31 January.

Budget Assumptions

17. Local Government Settlement

Budget preparation for 2013/14 is underway and various budget assumptions have now been confirmed. In 2013/14 provisional Local Government Finance settlement sees the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. In previous years, the provisional settlement announcement provided local authorities with their expected general revenue allocations for the following year. For 2013/14, the provisional settlement provides authorities with a combination of provisional grant allocations and their respective starting points within the BRR scheme

18. The provisional figures are expected to be confirmed in late January/early February 2013m within the final settlement announcement. Due to the introduction of BRR there are a number of new terms and principles introduced into local government funding. In summary:

- An authority's Formula Funding can be compared to against the 2012/13 Formula Grant Figure (after adjustment to take into account specific grant transfers).
- The Formula Funding amount for a local authority, plus any further specific grant transfers (such as council tax freeze grant) will provide a total funding amount; this is known as Start-up Funding Assessment.
- The Start-up funding assessment is split between resources received Revenue Support Grant (RSG) and a Business Rate Retention amount.
- It is the Baseline Need amount that is funded through retained business rates and the RSG amount that will be guaranteed.
- A key determinant of local government funding going forward will be actual business rates collected (it is this figure that will determine if authorities receive funding comparable to the Baseline Need amount or a higher or lower amount).

19. Details of 2013/14 LGFS for Dacorum Borough Council are set out in the table below:

2013/14 Local Government Finance Settlement	£	£
Adjusted 2012/13 spending power		18,335,960
2013/14 Spending Power		18,081,613
Reduction in Spending Power		-254,347
% Reduction in Spending Power		-1.4%
Revenue Support Grant		
Formula Funding	3,155,820	
2011/12 Council Tax Freeze Grant	149,763	
Council Tax Support Funding	626,408	
Homelessness Prevention Grant	30,025	
Total Revenue Support Grant		3,962,017
Baseline Funding Level		
Formula Funding	2,099,482	
2011/12 Council Tax Freeze Grant	99,634	

Council Tax Support Funding	416,732	
Homelessness Prevention Grant	19,975	
Total Baseline Funding		2,635,822
Total Start up Funding Assessment		6,597,839

A Council Tax freeze grant was provided in 2010/11 and 2011/12 for those authorities who did not increase their Council Tax. The Secretary of State has announced a council tax freeze grant offer for 2013/14 0% council tax increase. The funding amount would be equivalent to a 1% increase in funding payable for 2013/14 and 2014/15. An increase of Council Tax up to 2% is allowable before a referendum is required.

20. The assumed savings target contained with the Council's approved Medium Term Financial Strategy (revised September 2012) was £1.3m.
21. At the time of writing the report, the first draft of the budget is indicating balanced budget can be achieved.

To enable budget preparation to be finalised, Cabinet are asked to confirm that the principles set out in section 5 of the Fees and Charges Strategy (March 2008 be adopted for the preparation of budgets for 2013/14 together with the recommendation on Fees and Charges of a 2.5% increase in 2012/13, as set out in the Medium Term Financial Strategy approved in September 2012.

22. In October 2011 the Cabinet approved proposals for a nil increase in car parking fees for 2012/13 and 2013/14 (with two detailed exceptions).
23. The Government previously announced changes to allow the local setting of Planning Fees, although the Government confirmed in the autumn that local fee setting would not be introduced and instead the Government announced an increase in the statutory fees.

Budget Consultation

25. Consultation on the draft budget will be undertaken following consideration of the draft proposals by a meeting of the combined Overview and Scrutiny Committees.
26. In September the Council undertook a number of 'Listening Days' that were designed to obtain feedback about the Council from members of the public.

Appendix A

Council Tax Technical Reform – Changes to Discounts and Exemptions

BACKGROUND

1. The Local Government Finance Act (LGFA) 2012 included changes to the rules about discounts and exemptions for empty properties and second homes, which take effect from April 2013. This includes: the removal of two categories of exemption (replacing them with locally variable discounts); the introduction of a premium for long-term empty properties; and additional local flexibility about the discount level for second homes and other empty properties. This report seeks Cabinet's decision on:
 - Removing the current locally set discounts for second homes and empty properties;
 - Introduce a new locally set discount to replace Class A and Class C exemptions of 100% for a period of 90 days; and
 - Introduce a long term empty premium of 50% for properties that have been empty for longer than 2 years.

CHANGES IN LGFA 2012

2. The LGFA 2012 abolishes two exempt classes that apply currently:
 - Class A – empty properties undergoing major repair / structural works; and
 - Class C – empty, unfurnished properties.

The Class A exemption removes Council Tax liability for a property for up to 12 months and the Class C exemption for up to 6 months.

3. The replacements are locally set discounts, which can be set at different rates for different periods of time, up to the 12 and 6 months of the current exemption classes.
4. We currently have the option to set locally decided discounts for empty properties which do not fall within an exemption class and for second homes. Our local discount is currently 10% in these circumstances.
5. The changes to legislation also mean that billing authorities are able to charge a premium of up to 50% for properties empty for more than 2 years. This means that the Council Tax liability for such properties could be up to 150% of the annual charge.

CONSULTATION

6. Public consultation on the options for reform was held during the month of November. 1,900 questionnaires were sent to a sample of owners of second homes or empty properties and to a sample of other Council Tax payers. 20 were returned as failed mail and 470 were returned complete (257 from general council tax payers; 213 from second or empty homeowners), yielding an overall response rate of 24%.
7. The questionnaire asked respondents whether they agreed with the following proposals:
 - To reduce the current second home discount to zero;
 - To reduce the current empty property discount to zero;

- To introduce an empty homes premium of 50% for properties that have been empty for over 2 years;
- To replace the current Class C exemption with a discount of 100% for zero days, 1 month or 3 months; and
- To reduce the current Class A exemption with a discount of 100% for zero days, 1 month or 3 months.

8. As may be expected the results varied across the two groups with significantly less responses in agreement with reducing discounts from those who are currently receiving discounts and exemptions. The responses are summarised in figure one below.

Figure One – Table showing percentage of respondents who agreed with proposed change.

Proposal	Agreement from currently discounted/exempted taxpayers	Agreement from general taxpayers
Second home 0%	31%	70%
Empty (other) 0%	23%	70%
Empty premium (150%)	25%	60%
Class C 100% (zero days or 1 month)	7%	38%
Class C 100% (3 months)	88%	59%
Class A 100% (zero days or 1 month)	3%	25%
Class A 100% (3 months)	91%	71%

9. The consultation responses clearly showed that respondents were in favour of a locally decided discount of 100% for three months to replace the Class A and Class C exemption.

FINANCIAL IMPACT OF OPTIONS FOR CHANGE

10. The overall financial impact of these changes has been modelled. This modelling is based on some assumptions. The annual amounts have been modelled based on the exemptions and discounts granted during the 2011/12 tax year, and the parishes within which those properties fell.

11. The financial modelling carried out for possible levels of the local discounts are:

- a) 0% discount immediately (i.e. full charge straight away);
- b) 100% discount for 7 days, followed by 0% discount;
- c) 100% discount for 28 days, followed by 0% discount;
- d) 100% discount for 90 days, followed by 0% discount.

12. The amounts included in the model taxbase calculation include the additional income expected from reducing both the second home and empty discounts to 0%, and the addition of 50% long-term empty premium. They then also include one of the 100% discount periods for former Class A & C exemptions as listed in (a) to (d) above. Figure 2 shows the projected additional income from making these changes.

Figure Two - Projected additional income for each option for change

Change	Overall collection fund increase (£k)	Dacorum Borough Council share (£k)
Second home 0%	26	3
Empty (other) 0%	80	9
Empty premium (150%)	28	3
Class C 100% (zero days)	931	110
Class C 100% (7 days)	837	99
Class C 100% (28 days)	618	73
Class C 100% (90 days)	264	31
Class A 100% (zero days)	104	12
Class A 100% (7 days)	101	12
Class A 100% (28 days)	92	11
Class A 100% (90 days)	68	8

CONCLUSION

13. In the light of the response to the consultation, the financial impact and the impact on the model taxbase, Cabinet is asked

- to approve the removal of the current locally set discounts for second homes and empty properties;
- the introduction of a new locally set discount to replace Class A and Class C exemptions of 100% for a period of up to 90 days; and
- the introduction of a 50% premium on properties that have been empty in excess of two years.

14. It is anticipated that the new locally set discount for empty properties will encourage owners to continue to report empty properties to the Council, thus enabling us to continue monitoring empty properties within the borough and working with owners to bring them back into use. The additional 50% premium will also be an incentive to prevent owners from leaving properties unoccupied for long periods of time.

15. It is recommended that the impact of these changes is reviewed during 2013/14 and the findings reported to Cabinet so that this can inform decisions as to whether these discounts should continue or be amended for 2014/15.

Fees & Charges Strategy

- 1 The Strategy has been developed on the basis of evidence from the review of fees and charges described in Section 4 above. Each of the user charges made by the Council has been identified as either statutory, Cost Related or Discretionary and the approach to future setting of fees and charges is described below.

Statutory Charges

- 2 Statutory charges are outside of the Council's control. However, it should be noted that for the purposes of budgeting and medium-term financial planning, income will be assumed to increase in line with the prevailing rate of inflation (measured by RPIX).
- 3 Additional income from higher fee increases, or additional user volume, will be used to support increased expenditure arising from service development or lower income in other areas within the same service.
- 4 Lower income generation (from fee increases below inflation or reduced user volume) will need to be funded from expenditure reductions or additional income from other areas within the same service.

Cost Related Charges

- 5 For those services which are statutory, but where the charges are not prescribed, the Head of Service is able to set the charge by reference to the cost of service provision.
- 6 In these areas e.g. Building Control, Public Entertainment Licences, Land Charges, etc. constraints exist where the charge must be set only to cover the cost of the service.

Discretionary Charges

- 7 Discretionary services are defined as those that the Council is authorised but not required to provide.
- 8 Charges for services provided under authority of statute (other than the 2003 Act), should be set with reference to the cost of service provision and in accordance with the provisions of the legislation.
- 9 Charges for new discretionary services under the 2003 Act, can be set to recover costs including overheads, but not to make a surplus.
- 10 If a service is provided with the intention of raising revenue, a local authority trading company must be set up under the advice and guidance of the Section 151 Officer.

General

- 11 All fees and charges levied should have due regard to existing regulations and delegations of responsibility.
- 12 When setting fees and charges, consideration must be given to the cost of collecting and enforcing the debt. In respect of discretionary services, the Council's preferred method of collection is advance payment or Direct Debit.

In cases where this does not occur, and there are no statutory barriers to do so, the cost of administering other payment methods should be considered for inclusion in the charge. In so doing, those customers that chose to pay by expensive methods (e.g. cash or standing order), contribute to the cost of processing their remittances. Conversely, those who pay in advance or by Direct Debit, will get better value from the efficiency offered by these collection methods.

- 13 Where possible, large fluctuations in charges are to be avoided.
- 14 Heads of Service (now referred to as Assistant Directors and Group Managers) should review proposed fee levels in consultation with the Portfolio Holder.
- 15 All fees and charges should be considered as part of the service planning and annual budget setting process and reported to Overview & Scrutiny Committees.
- 16 Where decisions on increases in fees and charges are taken outside the budget process (e.g. where there is a statutory regulation or a duty of consultation) due regard must be given to the Medium Term Financial Plan. Reports to Cabinet must clearly state the financial implication of any budget shortfall and that these will be funded within the service area when the budgets are prepared.

Managing the Fees & Charges Strategy

- 17 In accordance with Audit Commission recommendations, the Council will:
 - undertake regular reviews of the approach to charging, both within service areas and across the whole council
 - engage service users and taxpayers in decisions about whether and at what level to charge for services
 - collect and use information on service usage and the take-up of concessions, and examine the impact of charges on individual households, to assess whether equality and diversity objectives have been achieved.
- 18 A full review of the method of overhead cost allocation will be undertaken to ensure appropriate charging mechanisms are being used to support end user charges.