

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 8th December 2015
Report of: Chief Operating Officer
Subject/Title: Council Tax Base 2016/17
Portfolio Holder: Councillor Peter Groves, Finance and Assets

1.0. Report Summary

- 1.1. Cheshire East Council is the third largest council in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Annual spending is more than £750m, with a balanced net budget for 2015/16 of £246.4m. The complexity of customer demands and the size of the organisation make it very important to manage performance and control expenditure to ensure the best outcomes for residents and businesses.
- 1.2. In November 2015 the Council reported its mid-year review of performance demonstrating how the Council is continuing to build on the final outturn position for 2014/15 by reflecting a manageable forecast overspend of £0.5m or 0.2% of net budget. This was the lowest figure ever reported for the Council at the mid-year stage of the financial year and confirmed that the Council's reserves strategy remains effective.
- 1.3. The overall financial health, performance, resilience and value for money at Cheshire East Council is strong despite taking over £50m out of its cost base since 2011/12, and freezing Council Tax for the fifth consecutive year. The 2014/15 accounts were recently signed off by the Council's external auditors, without qualification, and savings are consistently achieved through efficiency, removing duplication of effort, making reductions in management costs, and planned programmes of asset disposals. The approach continues to protect funding provided to front line services.
- 1.4. The sustainability of the Council's financial position is enhanced as, unlike many local authorities, 68% of the Council's net revenue funding is raised locally through Council Tax. The Council has continued to protect local residents through freezing Council Tax levels and ensuring that everyone who is eligible to pay does so. This report sets out the tax base calculation for recommendation from Cabinet to Council.
- 1.5. The calculation sets out the estimates of new homes less the expected level of discounts and the level of Council Tax Support. This results in a band D equivalent tax base position for each Town and Parish Council.

- 1.6. The Council has reviewed its Council Tax Support (CTS) Scheme between September and December. The results of that process are detailed in a separate report on this Cabinet agenda. The option taken forward by Members will have an impact on the 2016/17 taxbase.
- 1.7. The tax base reflects growth of 2.5% on the 2015/16 position highlighting the positive changes locally in terms of additional new homes, more properties brought back into use and reduced CTS payments. Over the last six years the taxbase (excluding the impact of CTS) has increased by over 7%.

2.0 Recommendation

- 1.8. That Cabinet, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, recommends to Council, the amount to be calculated by Cheshire East Council as its Council Tax Base for the year 2016/17 as **142,186.60** for the whole area.

3.0 Other Options Considered

- 1.9. The Council published its [Pre-Budget Report 2016/17](#) for consultation at the end of October 2015. Within that document there is a proposal to vary the Council Tax Support scheme (see page 48). This proposal is reflected in the recommended taxbase in section 2 above.

4.0 Reason for Recommendation

- 1.10. In accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 Cheshire East Council is required to agree its tax base before 31st January 2016.

5.0 Background/Chronology

- 1.11. Cheshire East Council is required to approve its tax base before 31st January 2016 so that the information can be provided to the Cheshire Police and Crime Commissioner and Cheshire Fire Authority for their budget processes. It also enables each Town and Parish Council to set their respective budgets. Details for each parish area are set out in **Appendix A**.
- 1.12. The tax base for the area is the estimated number of chargeable dwellings expressed as a number of band D equivalents, adjusted for an estimated number of discounts, exemptions and appeals plus an allowance for non-collection. A reduction of 1.25% is included in the tax base calculation to allow for anticipated levels of non-collection.
- 1.13. Collection rates of 99% have been achieved over two years, but changes to Council Tax discounts, specifically the introduction of Council Tax Support (CTS), are having an impact on this indicator. Nationally councils

are seeing small reductions in collection rates, so the anticipated level of non-collection at Cheshire East has been maintained at 1.25%. Processes to collect Council Tax locally continue to be effective and will be reviewed throughout the year should collection performance deteriorate.

- 1.14. The tax base has been calculated in accordance with the Council's policy to offer no reduction for empty properties. However discretionary reductions will continue to be allowed, for landlords, under Section 13A of the Local Government Finance Act 1992 for periods of up to eight weeks between tenancies. This is no change from 2015/16.
- 1.15. Analysis of recent trends in new homes, and homes being brought back into use, suggest an increase of around 3,500 homes is likely between the setting of the 2015/16 taxbase and the end of 2016/17. The impact of this growth, which is affected by when properties may be available for occupation and the appropriate council tax banding, is factored into the tax base calculation.
- 1.16. The tax base also reflects assumptions around CTS payments. The Cheshire East CTS scheme was introduced in 2013/14 and was uprated for 2014/15 to reflect total expected payments of £19.1m. This was based on anticipated payments of £17.7m plus an allowance for risk at £1.35m (7.5%) as at February 2014. The risks included uncertainty over the economy, the potential for a major employer to leave the area (with no alternative employment available) and lack of experience of operating the new scheme.
- 1.17. For the third year of the CTS scheme it was appropriate to adjust the level of payments built into the tax base calculation. At December 2014 the tax base was amended to acknowledge the original payment forecast of £17.7m plus a 33% reduction in the risk factor to £0.9m (5%) to give a CTS position of £18.6m.
- 1.18. At the end of September 2015 the forecast level of payments for the current financial year is expected to be £15.4m. Therefore, a further £1m reduction in CTS payments has been factored into the 2016/17 taxbase to reflect this decreased trend in payments being made. This gives a budget of £17.6m being estimated payments of £15.7m and a risk factor of £1.9m (assuming no change to the CTS scheme for this purpose). These changes are summarised in **Table 1**.

Table 1 – Council Tax Support Budget since the introduction of the Scheme

| Taxbase Year | CTS Payments £m | Risk Allowance £m | Resulting CTS Budget £m |
|---|----------------------------|------------------------------|--|
| 2013/14 | 18.2 | 0.7 | 18.9 |
| 2014/15 | 17.7 | 1.4 | 19.1 |
| 2015/16 | 17.7 | 0.9 | 18.6 |
| 2016/17 (assuming no change to CTS scheme) | 15.7 | 1.9 | 17.6 |

- 1.19. As it is now the third year of the scheme a public consultation was undertaken on proposed changes to the CTS scheme for 2016/17. This review was undertaken to identify additional savings to contribute to the Council's medium term financial challenge, whilst ensuring the scheme remains fair to residents, continues to support vulnerable people and encourages those who can work to do so, or to increase their hours and/or pay to reduce welfare dependency.
- 1.20. The option that has been included in the recommended taxbase in section 2 is based on the following change to the CTS scheme:
- Council Tax Support scheme amended to increase the minimum contribution from 20% to 25%, and awards restricted to maximum payable for a Band B.
- 1.21. The table below shows the estimated saving, CTS budget and resulting taxbase when this change is implemented from 1st April 2016.

Table 2 – 2016/17 Council Tax Support Changes

| Change | CTS Budget £m | Estimated Saving on resulting CTS Budget (see Table 1) £m | Resulting Taxbase (Band D) |
|---|--------------------------|--|---|
| Working Age pay 25% - restrict to Band B | 16.7 | 0.9 | 142,186.60 |

- 1.22. This will allow an increased risk factor of £1.9m to remain within the scheme. The ongoing level of risk reflects a number of possible influences on the scheme such as:
- Continuing challenges over the medium term economic position with no growth in business rates currently being factored into our financial plans.

- The risk of a major employer leaving the area.
- The risk of delay in the significant development projects delaying employment opportunities.
- The prospect of a greater number of residents becoming of pensionable age and potentially becoming eligible for CTS.
- The risk of increased non-collection due to the increasing demand on non-protected residents.

6.0 Wards Affected and Local Ward Members

1.23. All

7.0 Implications of Recommendations

1.24. Policy Implications

1.24.1. None.

1.25. Legal Implications

1.25.1. In accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended and Chapter 4 of the Council's Constitution, the calculation of the Council Tax Base is a matter for full Council following a recommendation by Cabinet.

1.26. Financial Implications

1.26.1. The calculation of the tax base provides an estimate that contributes to the calculation of overall funding for Cheshire East Council in each financial year.

1.26.2. The Council Tax Support scheme has the effect of reducing the tax base, as reductions under this scheme are provided as a discount to Council Tax liability.

1.27. Equality Implications

1.27.1. None.

1.28. Rural Community Implications

1.28.1. This report provides details of taxbase implications across the borough.

1.29. Human Resource Implications

1.29.1. None.

1.30. Public Health Implications

1.30.1. None.

1.31. Other Implications (please specify)

1.31.1. None.

8.0 Risk Management

- 1.32. Consideration and recommendation of the Tax Base for 2016/17 to Council ensures that the statutory requirement to set the taxbase is met.
- 1.33. Estimates contained within the Council Tax Base calculation, such as the loss on collection and caseload for Council Tax Support, will be monitored throughout the year. Any significant variation will be reflected in a surplus or deficit being declared in the Collection Fund which is then shared amongst the major precepting authorities.

9.0 Contact Information

The background papers relating to this report can be inspected by contacting the report writer:

| | |
|---------------------|--|
| Name: | Peter Bates |
| Designation: | Chief Operating Officer |
| Tel No: | 01270 686013 |
| Email: | peter.bates@cheshireeast.gov.uk |