

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 9th December 2014
Report of: Chief Operating Officer
Subject/Title: Council Tax Base 2015/16
Portfolio Holder: Councillor P Raynes, Finance

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 2014/15 of £253.8m. 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 The sustainability of the Council's financial position is enhanced as, unlike many local authorities, 66% of the Council's net revenue funding is raised locally through Council Tax. The Council continues 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.
- 1.3 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. This is attached to the report at **Appendix A**.
- 1.4 In November 2014 the Council reported its mid-year review of performance demonstrating how the Council is continuing to build on the final outturn position for 2013/14 by reflecting a manageable forecast overspend of £1.1m or 0.4% 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.
- 1.5 The overall financial health, performance, resilience and value for money at Cheshire East Council is strong despite taking £50m out of its cost base from 2011/12, and freezing Council Tax for the fourth consecutive year. The 2013/14 outturn position was 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.
- 1.6 The tax base reflects growth of 0.9% on the 2014/15 position highlighting the positive changes locally in terms of additional new homes, more properties brought back into use and reduced Council Tax Support payments. Over the last 5 years the taxbase (excluding the impact of CTS) has increased by 4.8%.

2.0 Recommendation

- 2.1 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 2015/16 as 138,764.49 for the whole area.
- 2.2 That Cabinet agree that the Council Tax Support Scheme is unchanged for 2015/16 other than revising allowances to reflect the uprating in the Housing Benefit rules.
- 2.3 That Cabinet notes the Council Tax Support Scheme will be reviewed during 2015/16.

3.0 Reason for Recommendation

- 3.1 In accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 Cheshire East Council is required to agree its tax base before 31 January 2015.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 None

7.0 Implications for Rural Communities

- 7.1 None

8.0 Financial Implications

- 8.1 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.
- 8.2 The replacement of Council Tax Benefit with Council Tax Support has the effect of reducing the tax base, as reductions under this scheme are provided as a discount to Council Tax liability.

9.0 Legal Implications

- 9.1 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.

10.0 Risk Management

- 10.1 Confirmation of the Council Tax Base for 2015/16 ensures that the statutory requirement to set the Tax Base is met.
- 10.2 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.

11.0 Background and Options

- 11.1 Cheshire East Council is required to approve its tax base before 31st January 2015 so that the information can be provided to the Police and Crime Commissioner and Cheshire Fire Authority for their budget processes. Details for each parish area are set out in **Appendix A**.
- 11.2 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.
- 11.3 Recently collection rates of 99% have been achieved over two years, but changes to Council Tax discounts, specifically the introduction of Council Tax Support, 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.
- 11.4 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 8 weeks between tenancies. This is no change from 2014/15.
- 11.5 Analysis of recent trends in new homes, and homes being brought back in to use, suggest an increase of 950 homes is likely in 2015/16. The impact from this growth, which is affected by when properties may be available for occupation and the appropriate council tax banding, is factored in to the tax base calculation.
- 11.6 The tax base also reflects assumptions around Council Tax Support payments. The Cheshire East Council Tax Support Scheme (CTS) was introduced in 2013/14 and was updated 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.
- 11.7 At the end of September 2014 the forecast level of payments for the current financial year is expected to be £16.8m. However, it is not yet clear if this is a permanent improvement.

- 11.8 Therefore, for the third year of the CTS scheme it is appropriate to adjust the level of payments built into the tax base calculation. At December 2014 the tax base has been 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.
- 11.9 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.
- 11.10 The Council is also looking ahead to the funding gap for 2016/17 which is currently forecast at £15.4m in the [Council's Pre-Budget Report 2015/16](#). This gap will be addressed through various measures including continuing growth in the tax base. Therefore, if actual CTS payments for 2014/15 and the 2015/16 mid-year position continue to reflect reduced demand, the 2016/17 tax base can be further increased to reflect a reduced CTS position (subject to any further risk analysis).

12.0 Access to Information

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

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