

**To: Leader and Members of the Executive Board  
(Councillors M Stanley, Hayfield, Humphreys, Moore, Morson, Phillips, Simpson, Smith and Sweet)**

**For the information of other Members of the Council**

**For general enquiries please contact David Harris, Democratic Services Manager, on 01827 719222 or via e-mail - [davidharris@northwarks.gov.uk](mailto:davidharris@northwarks.gov.uk).**

**For enquiries about specific reports please contact the officer named in the reports.**

**The agenda and reports are available in large print and electronic accessible formats if requested.**

## **EXECUTIVE BOARD AGENDA**

**17 JANUARY 2013**

The Executive Board will meet in the Committee Room at The Council House, South Street, Atherstone, Warwickshire on Thursday 17 January 2013 at 6.30pm.

### **AGENDA**

- 1 Evacuation Procedure.**
- 2 Apologies for Absence / Members away on official Council business.**
- 3 Disclosable Pecuniary and Non-Pecuniary Interests**

## **PART A – ITEMS FOR DISCUSSION AND DECISION (WHITE PAPERS)**

- 4 **Local Government Finance Settlement** – Report of the Deputy Chief Executive

### **Summary**

The Secretary of State announced the provisional local government finance settlement on the 19 December 2012. This report outlines the figures and implications for the Borough Council.

The Contact Officer for this report is Chris Brewer (719259).

- 5 **Reduction of Council Tax Discounts for Second Homes and Long Term Empty Dwellings** – Report of the Assistant Chief Executive (Community Services)

### **Summary**

This report is requesting the Board agree to using its discretionary powers to reduce council tax discounts and exemptions awarded in respect of “second homes” and specific “long term empty” properties.

The Contact Officer for this report is Bob Trahern (719378).

- 6 **Adoption of the Council Tax Base** – Report of the Deputy Chief Executive (to follow)

### **Summary**

This report puts forward the proposed Council Tax base for 2013/14.

The Contact Officer for this report is Chris Brewer (719259).

- 7 **Business Rates** – Report of the Deputy Chief Executive

### **Summary**

This report estimates the amount of money to be collected from Business Rates in North Warwickshire and the amounts that will need to be paid over to Central Government and the County Council.

The Contact Officer for this report is Chris Brewer (719259).

8 **The Impact of Council Tax Support on Parish Councils** - Report of the Assistant Director (Finance and Human Resources)

**Summary**

The introduction of Council Tax Support (CTS) from April 2013 will reduce the tax base of all parish councils within North Warwickshire. This report proposes an option for ensuring that individual parishes do not suffer a reduction in funding as a result of the move to CTS.

The Contact Officer for this report is Sue Garner (719374).

JERRY HUTCHINSON  
Chief Executive

## **Agenda Item No 4**

### **Executive Board**

**17 January 2013**

**Report of the  
Deputy Chief Executive**

**Local Government Finance  
Settlement**

#### **1 Summary**

- 1.1 The Secretary of State announced the provisional local government finance settlement on the 19 December 2012. This report outlines the figures and implications for the Borough Council.

#### **Recommendation to the Board**

**That the details of the proposed settlement are noted.**

#### **2 Introduction**

- 2.1 Members will be aware from previous reports that the system for financing local government expenditure is changing with effect from 2013-14. 2013-14 sees the launch of the Business Rate Retention Scheme (BRR) as the principle form of local government funding. The Secretary of State's announcement provides authorities with a combination of their provisional grant allocations and their starting point for the BRR scheme.
- 2.2 There are a number of new terms and principles as a result of this change in funding and these are detailed below:-
- 2.3 Formula Funding – Each authority is given a formula funding amount. This is determined in the same way as Formula Grant was previously calculated using the four block model.
- 2.4 Start Up Funding Assessment – This comprises the formula funding amount plus some specific grants payable to Councils. In our case the specific grants are Council Tax Support Grant, Council Tax Freeze Grant and Homelessness Prevention Grant.
- 2.5 The start up funding assessment for an authority is then split between its Business Rate baseline and Revenue Support Grant.

### 3 The National Figures

	2012-13 £bn	2013-14 £bn	% Change	2014-15 £bn	% Change
Start up funding assessment	27,169	26,101	- 3.9	23,856	- 8.6%
Funded through					
Business Rates baseline		10,899		11,233	3.1%
Revenue Support Grant		15,202		12,623	- 17%
<b>Total</b>		26,101		23,856	

3.1 Members can see that at a national level there has been a reduction of 3.9% in total funding for 2013-14 and that this decrease will be substantially larger in 2014-15. Government are more than offsetting any increase in Business Rates by reducing Revenue Support Grants, furthermore Council Tax Support funding is included within the Start Up funding assessment so an 8.6% overall reduction in funding in 2014-15 implies a reduction in the funding available for Council Tax Support.

3.1.1 However, the reductions for District Councils in 2014-15 are much worse than for other authority types.

	2013-14 £bn	2014-15 £bn	% Change
Start up funding assessment	1,254	1,094	-12.7%
Funded through			
Business Rates baseline	501	516	3.1%
Revenue Support Grant	753	578	-23.2%

3.1.2 As council tax support assessment is included in the start up funding assessment, this implies a 12.7% reduction in council tax support.

### 4 North Warwickshire's figures 2013-14

	2013-14 £000	2012-13 £000	% Change
Formula Funding/Formula Grant	3,384	3,735	- 9.4%

4.1 This Council's funding for 2013-14 will reduce by £351,000 (9.4%). The Council's Medium Term Financial Strategy (MTFS) assumed a drop in external funding to £3,588,000 in 2013-14, so this is a further reduction of £204,000 from the figure in the MTFS.

4.2 The Government have continued a floor damping mechanism to limit the amount of grant a Council may lose. In our case the limit was set at 9.4%. Without damping the Council would have lost a further £127,000 in funding.

- 4.3 The Council's loss of 9.4% places us in the 3<sup>rd</sup> highest of 4 bands of those Districts who have lost grant, thus it is apparent that North Warwickshire has had a worse settlement than most Districts.
- 4.4 The Government has issued figures comparing Authority's spending power in 12/13 to that of 13/14. This takes into account council tax receipts, council tax freeze grants, start up funding assessment and new homes bonus payable. This indicates that our spending power had reduced by 2.53% in 2013/14, compared with an average reduction of 1% for District Councils. Our reduction is the 26<sup>th</sup> largest amongst District Councils.
- 4.5 In addition to the formula funding above the Council will receive the following specific grants in 2013-14:-

	£000
Council Tax Support	649
Council Tax Freeze	112
Homelessness Prevention	57
	<u>818</u>

The Council's Start Up funding assessment is therefore made up as follows:

	£000
Formula Funding	3,384
Specific Grants	818
	<u>4,202</u>
Funded by	
Revenue Support Grant	2,523
Business Rates Baseline	1,679
	<u>4,202</u>

## 5 Prospects for 2014-15

- 5.1 If changes to the National totals for Business Rates and Revenue Support Grant are applied locally then the following figures result:-

	<b>2013-14 £000</b>	<b>2014-15 £000</b>	<b>% Change</b>
Revenue Support Grant	2,523	1,936	-23.2%
Business Rates Baseline	1,679	1,730	3.1%
Total funding	4,202	3,666	-12.75%

- 5.2 This results in a further £536,000 reduction in funding .

## 6 Business Rates Baseline

- 6.1 The Secretary of State has also announced individual local authority business rates baselines. These figures are used to calculate the tariff that the Council will need to pay to the Secretary of State.

	£000
Business Rates Baseline	15,622
Baseline funding level	1,679
Tariff Payable	<hr/> 13,983

- 6.2 The Council's Business Rates baseline is based on 40% of total rates collected, with 50% being due to the Government and 10% the County Council. This therefore, assumes a total local business rate of £39.1 million.
- 6.3 Previously local authority funding was guaranteed, however under the new scheme the Business Rate element can fluctuate depending on whether the Authority achieves the level of business rate income the government has anticipated. A 1% increase in rates collected would increase our funding by £78,000, a 1% reduction would result in a funding loss of £126,000, and would trigger the Government's safety net. However by entering into a business rates pool the funding loss would be restricted to £84,000.

## 7 Council Tax Freeze Grant

- 7.1 The Secretary of State issued further information on Council Tax Freeze Grant for 2013-14. This will be payable to authorities which freeze or reduce their Council Tax in 2013-14. The grant paid will be equivalent to a 1% rise in Council Tax and will be payable for 2013-14 and 2014-15.
- 7.2 In addition he confirmed that any increase in Council Tax in 2013-14 of more than 2% will require a local referendum to approve the increase.

## 8 Report Implications

### 8.1 Finance and Value for Money Implications

- 8.1.1 The council's formula funding will reduce by £351,000 in 2013-14 and potentially a further £536,000 in 2014-15. This will need to be reflected in the council's updated budget when considered in February.

### 8.2 Environment and Sustainability Implications

- 8.2.1 The implications of the Council's funding for 2013-14 reducing by £351,000 (9.4%) will need to be considered. By following a Medium Term Financial Strategy (MTFS) the Council can plan to ensure sustainability implications are taken into account when making decisions about the allocation of resources and providing services

### 8.3 Human Resources Implications

8.3.1 There are no immediate changes anticipated. If there are, these will be reported.

The Contact Officer for this report is Chris Brewer (719259).

#### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date



**Agenda Item No 5**

**Executive Board**

**17 January 2013**

**Report of the Assistant Chief Executive  
(Community Services)**

**Reduction of Council Tax  
Discounts for Second Homes and  
Long Term Empty Dwellings**

**1 Summary**

- 1.1 This report is requesting the Board agree to using its discretionary powers to reduce council tax discounts and exemptions awarded in respect of “second homes” and specific “long term empty” properties.
- 1.2 The income raised by the proposed changes is necessary to support the decision taken by this board on 21 November 2012 to adopt a localised Council Tax Support scheme (CTS) that will see current Council Tax Benefit entitlements reduced by 8.5% from 1 April 2013. Its recommendations are also in line with the approach agreed by this board on 25 July 2012.

**Recommendation to the Council**

- a That with effect from 1 April 2013, the following changes are made to Council Tax Discounts and Exemptions;**
- i the reduction of council tax discounts on second homes from 10% to 0% from day one;**
  - ii the reduction of the council tax discount on uninhabitable dwellings (Class A) from 100% to 25% in line with the existing 12 month period of exemption;**
  - iii the reduction of the council tax discount exemption period on long-term empty dwellings (Class C – empty and substantially unfurnished) from 6 months to 14 days;**
  - iv the charging of a 50% premium on Class C long term empty dwellings once they have been so for a continuous period of two years;**
  - v the removal of exemption status for repossessed dwellings (Class L) from day one; and**
- b That a full appraisal of the changes to the Council Tax discounts and exemptions is undertaken by December 2013 with a view to recommending any necessary changes in respect of 2014/15 onwards.**

## 2 Consultation

- 2.1 There is no legal requirement for the Council to consult on any of the changes proposed above.
- 2.2 The Chairman, Vice-Chairman and the Opposition Spokesperson for the Resources Board have all had the opportunity to comment on the content of this report. Any comments received will be reported verbally at the meeting.

## 3 Background

- 3.1 When the Government introduced the Council Tax in 1993, it initially allowed 50% discounts on second homes and long term empty properties where the properties were not the main residence of the owner. Since that date, a number of changes have been introduced to ensure Councils are not unfairly disadvantaged where they have significant numbers of second homes or long term empty properties and to influence behaviours (i.e.) provide an incentive to bring a property back into use or use it in a different way. As such, the Councils current position is that all long term empty properties receive no discount after a 6 month period of exemption and second homes receive a 10% discount when it is determined that it is no ones sole or main residence.
- 3.2 The passing of the Local Government Finance Act 2012 has given Councils new discretionary powers over certain discounts and exemptions to raise additional income by allowing them scope to reduce the level of current council tax exemptions granted to certain types of dwellings. These have been introduced in part to help offset the impact of the required benefit cuts being introduced from April 2013.
- 3.3 Under these proposals, the Government have announced that they are giving local authorities discretion on the level of discount they apply to Second Homes (currently at a minimum of 10%) and the level of exemption that they apply to 3 of the 23 classes of current exemptions:
- Class A – Vacant dwellings where major repair works or structural alterations are required, under way or completed. These currently attract a 100% exemption for a maximum period of 12 months.
  - Class C – Vacant dwellings that are unoccupied and unfurnished. These currently attract a 100% exemption for a maximum period of 6 months.
  - Class L – Unoccupied dwellings that have been taken into possession by a mortgage lender. These currently attract an indefinite 100% exemption.
- 3.4 All these classes of exemption give an incentive to leave properties empty over a range of periods which runs counter to the Council's stated policies of encouraging empty homes back into use. The removal or reduction of incentives may encourage properties to be brought back into use as quickly as possible.

- 3.5 The Government have also given Councils the power to levy a premium above the standard Council Tax of up to 50% on long-term empty properties which have been continuously so for two years or more. The Council has already adopted measures and dedicated resource to try to bring such properties back into use and it is considered that whilst the premium charge will be relatively easy to avoid, it will require the owner to engage with the Council and consider their ongoing need for the property or how it could be used.
- 3.6 It should be noted that properties that are empty because the occupier has gone into a care home (Class E), To Receive Temporary (Class I) To Provide Temporary Care (J) or the owner has deceased but before probate has been granted (Class F) will remain exempt for unlimited time periods and no charges will be due.
- 3.7 The benefits of any additional income will be shared in proportion to precepts levied but the administrative burden to ensure the correct charge is levied will remain with us as the Billing Authority.
- 3.8 In considering this report, Members should remember that no decision was taken on the proposed changes to exemptions as part of the wider Council Tax Support report considered in November because of the uncertainty surrounding the level of savings that would need to be funded by any changes. This was subject to clarification as part of the Autumn Statement settlement which was announced on 19 December 2012. This announcement confirmed that it would be prudent for the Council to seek savings in the region of £577,650.

#### **4 Current Position**

- 4.1 As at 31 March 2012, the discount and exemption caseload available to change was as follows:
- Second Homes discounts (65 discounts at 10%), at a total cost to preceptors of £9,000.
  - Class A Exemptions; where the property is unoccupied due to major refurbishment and attracts a maximum exemption of 100% for 12 months. There were 127 awards of the exemption between 1 day and 365 days at a total cost of £64,000.
  - Class C Exemptions; where the property is unoccupied and unfurnished and attracts a maximum exemption of 100% for 6 months. There were 2353 awards of the exemption between 1 day and 183 days at a total cost of £405,000.
  - Properties in Class C over 6 months and currently paying 100% of the occupied charge: There were 433 of these, of which 194 had been empty

for a period of greater than 2 years. Those over 2 years old could generate a potential additional £80,000 if the Council were able to levy a premium of 50% on these properties.

- Class L Exemptions; where the property has been repossessed and the mortgage lender are liable for the Council Tax attract a maximum exemption of 100% for an indefinite period. There were just 53 awards of the exemption at a total cost of £27,000.

4.2 Looking at data trends over the last 4 years, it is reasonable to take the above figures as an average position on which to make assumptions on projected savings and impact.

## 5 Proposed Changes and Their Potential Impact

5.1 It is requested that Members consider the revisions to discounts and exemptions as follows: -

### 6 **Second Homes discounts (65 discounts at 10%), at a total cost to preceptors of £9,000**

6.1 Whilst the number of second homes in the borough has never been a particularly large problem in terms of income loss, awarding a 10% discount does lead to a drop in council tax income and revenue to the Council. Second homes are defined as dwellings that are no one's sole or main residence and are furnished.

## 7 Possible Impact

- The risk of non collection is low
- The cost of collection is low as bills are already issued
- We should anticipate new challenges claiming occupation by a single person which has the effect of reducing the liability to 75% of a full charge.

### 8 **Class A Exemptions; where the property is unoccupied due to major refurbishment, it attracts a maximum exemption of 100% for 12 months. There were 127 awards of this exemption at a total cost of £64,417**

8.1.1 Professional developers are responsible for the majority of properties classed as uninhabitable and whilst undergoing major structural alteration, they are currently exempt for a period of up to 12 months. Only 2 of the 127 instances were as a result of natural disaster which temporarily rendered the property uninhabitable. In these few circumstances, we would wish to consider the suitability of levying a charge on a "case by case" basis and if considered appropriate would result in the charge being cancelled.

8.1.2 In order to qualify for a Class A exemption, the Council has to visit a property and make an initial inspection to satisfy that the dwelling meets the criteria of "major works", that no one is occupying the property and that it is substantially

unfurnished. We undertake periodic inspections thereafter to monitor the progress of works being undertaken.

- 8.1.3 Officers consider that in making the recommendation to charge 75% of a full charge (equivalent to a charge on a single occupied property) for the 12 month period reflects that the dwelling is unable to be used, as opposed to the owner choosing not to use it. It will also avoid any move by the owner to claim that the property is occupied by a single person which may be the case if we propose adopting a higher charge than the 75% proposed.

## 9 Possible Impact

- The risk of non collection is low to medium. It may be possible to recover the liability from equity released on the sale of the property in cases where payment cannot be made monthly.
- Developers will need to factor the increased costs as an additional expense of their renovation

## 10 **Class C Exemptions; where the property is unoccupied and unfurnished and attracts a maximum exemption of 100% for 6 months. There were 2353 awards of this exemption at a total cost of £405,540**

- 10.1 In recent years, bringing empty properties back into use has become a National priority as well as a local one as outlined in a report by the Assistant Director (Housing) approved by the Housing Sub Committee in October 2011. The report outlined the ongoing issues being faced by the Council in trying to meet the increased demand for homes by residents who are struggling to access the right level of finance to afford a property.

- 10.1.1 Currently properties benefit from a 6-month exemption from Council Tax charges on becoming empty providing that they are substantially unfurnished. After the 6-month period, they attract a 100% charge. In order to re-qualify for a further period of exemption, the property has to be occupied for a period of 6 weeks or more. A bill is issued even if there are no charges to be levied as required by law.

- 10.1.2 The Council currently inspects these properties on a rolling basis and is now dealing with more cases where occupations of around 6 weeks are being claimed to maximise the financial benefits to the taxpayer. This practice would disappear if the proposed new approach was adopted saving the division time and the change would also raise a significant amount of new income.

- 10.1.3 It is proposed that the period of exemption should be reduced from the current 6 months exemption to 14 days only meaning that had the scheme been in place in 2011/12, it would have raised an estimated £307,000 additional income. By awarding a 14 day period of exemption will mean relatively small

bills will not need to be raised (with an estimated total value of nearly £100,000) and it is anticipated will significantly reduce the number of disputes received over bills issued by the Council where the dates of occupation and vacation are challenged.

10.1.4 It is considered that because the customer from whom these charges are requested will in most cases own the property; the likely collection of these charges would be high. It will certainly be a lot easier than recovering from customers in receipt of Council Tax Support who would be required to pay more towards their council tax liability if this change was not approved.

10.1.5 The potential downside of this proposal is that we are likely to receive a significant number of enquiries from the raising of these bills. Whilst the charges should be relatively easy to explain, it is likely that owners will be unhappy by the levying of these charges and this could see an increase in recovery action necessary to collect monies due.

10.1.6 Reducing the period to 14 days is also likely to result in an increase in claims that properties are occupied by a single person to reduce any future liability to a 75% charge as has been experienced by the Council when introducing similar changes in the past. This will require the need to undertake additional reviews of properties where single occupancy is claimed to prevent fraud being committed.

10.1.7 The Council as the major landlord in the area will also be impacted by this change and we have estimated that this would result in new liabilities when council houses are void. This would raise approximately £17,000 per annum based on activity in 2011/12 and would be a charge against the Housing Revenue Account that would be met from that fund with no impact on the Councils General Fund.

10.1.7 Properties that are empty because the occupier has gone into a care home (Class E), To Receive Temporary (Class I) To Provide Temporary Care (J) or the owner has deceased but before probate has been granted (Class F) will remain exempt for unlimited time periods and no charges will be due.

### **Possible Impact**

- The risk of non collection is low to medium
- The cost of collection is low as bills are already issued
- We would anticipate new challenges claiming occupation by a single person which will have the effect of reducing the Council Tax liability to 75% of a full charge

**11 Properties in Class C over 6 months and currently paying 100% of the occupied charge: There were 433 of these, of which 194 had been empty for a period of greater than 2 years**

11.1 It is proposed that the Council can charge a premium of up to 50% on long term empty properties where they have been continuously so for over two years. If the Council were to adopt this policy this would support its aims to bring its very long-term empty properties back into use at a time where we have a shortage of available houses in the borough.

11.1.1 The Governments New Homes Bonus also recognises this problem and is concerned with not only rewarding Councils for building or approving new houses but also bringing empty homes back into use. A Council's ability to access the New Homes Bonus reward scheme is dictated by ensuring the number of long term empty homes in their area is decreasing and by adopting a change in the Councils charging policy around long-term empty properties in relation to Council Tax levied would contribute to this aim.

11.1.2 The Council has a number of programmes in place to help owners unable to sell their properties rent them via a number of partnerships with registered social landlords in the area. These schemes assist owners to bring these properties back into use and earn them an income as opposed to the property becoming a potential liability.

11.1.3 Whilst this change proposes to offer key benefits, the potential downside is that whilst it will influence behaviour to bring properties back into use, it may also result in legal avoidance tactics being adopted e.g. simply declaring the property as a second home by putting furniture in it. This will mean that the higher charges will not be paid and no New Homes Bonus reward earned.

11.1.4 As a result, a very prudent approach has been adopted in projecting that only 20% of the possible income from introducing this change is likely to be realised.

**12 Possible Impact**

- The likelihood of collecting charges would be a medium to high risk due to the avoidance opportunities available.
- The cost of collection is low as bills are already issued
- There could be additional challenges claiming occupation whether as a single occupier or as a second home and it will encourage avoidance tactics to be adopted. The consequence of this would be a loss of income

12.1 Again, properties that are empty because the occupier has gone into a care home (Class E), To Receive Temporary (Class I) To Provide Temporary Care

(J) or the owner has deceased but before probate has been granted (Class F) will remain exempt for unlimited periods and no charges will be due.

**13 Class L Exemptions; where the property has been repossessed and the mortgage lender is liable for the Council Tax, attracting a maximum (indefinite) exemption of 100%. There were 53 awards of this exemption at a total cost of £25,619**

13.1 Whilst the number of repossessed properties in the borough is relatively small, allowing a charge to be levied against the lender who repossesses the property is recommended. The collection of monies should be very high due in the majority of cases the lender being a bank or building society.

**14 Possible Impact**

- The risk of non collection is very low
- The cost of collection is low as bills are already issued

**15 Report Implications**

**15.1 Finance and Value for Money Implications**

15.1.1 Based on requiring the estimated savings of £577,650, the anticipated savings achieved from reducing the support to be given in Council Tax Support (the replacement for Council Tax Benefit), together with the transitional grant, will raise £251,300 of this target. These assumptions take into account a provision for reduced collection rates.

15.1. In line with the principles agreed in the original report on Council Tax Support in July, 2012, it is to be assumed that the additional income required to make up the shortfall of £326,555 to achieve the required savings will be raised from making changes to current exempt properties.

15.1.3 The table below reflects that some contingency has been built into the projected figures to reflect a small growth in the Council Tax Support caseload, changes in the numbers of empty properties on which charges will be levied, or non collection as follows:

Change	Estimated Charges £,000
Remove exemption period on uninhabitable dwellings: Class A to zero from current 12 months period	48
Remove exemption period on empty dwellings:	



Class C to zero from current 6 months period	307
No second home discount: Reduce from 10% to 0%	9
Long term empty premium on homes that have been empty for over two years proposed to be charged at 150% after this qualifying period	16
Introduce Class L changes: Remove the exemptions for repossessed dwellings	27
Total	407

15.1.4 If the proposals are accepted, it is estimated that there will be an increase in the taxbase of the borough, which will generate additional revenue for all preceptors as follows

<b>Precepting Authority</b>	<b>Estimated Additional Income (£'000)</b>
Warwickshire County Council	296
Warwickshire Police	47
NWBC and Parishes	64

15.1.5 It is anticipated that based on the principles agreed by Members in July that the full savings target required will be achieved by making changes to the existing Council Tax Benefit, and Discount/Exemption schemes and not require the use of any reserves to make up any shortfall. Failure to agree the changes proposed in this report would require the use of reserves by all of the precepting authorities shown in the table above, in proportion to their precept.

15.1.6 A small surplus is expected in 2013/14, which will provide some contingency if take up of CTS is greater than expected or collection rates are lower than projected. Going forward any surplus generated will help to offset the loss of the transitional grant in 2014/15.

15.1.7 The operation of the discount and exemptions scheme will need to be reviewed each year having regard to the financial impact of the newly adopted Council Tax Support Scheme and the level of the Start Up Funding Assessment expected. Current indications are that in future CTS grant will be included within the Start Up Funding Assessment. There is also an indication that the Start Up Funding Assessment will reduce in the region of 12.75%. Grant loss at this level would require further significant savings, either through a reduction in CTS or by other means. As such changes proposed will need to be reviewed on an annual basis to reflect caseload changes or further changes in Government grants.

15.1.8 It should also be noted that there is a financial benefit for the Council as its long-term empty homes figure falls, as this is part of the assessment for the level of New Homes Bonus it receives. Every home we bring back into occupation will count towards the Council's New Homes Bonus and will allow the Council to retain 80% of a receipt of approximately £1,100 reward per annum for up to a maximum of 6 years providing the property remains in use.

## **15.2 Safer Communities Implications**

15.2.1 Reducing or removing the discount for long term empty properties will act as an incentive to bring empty properties back into use thereby reducing the low level crime and anti-social behaviour that these types of properties can attract.

## **15.3 Legal and Human Rights Implications**

15.3.1 These changes have been introduced under new powers included in the Local Government Finance Act 2012

15.3.2 Whilst not a legal requirement, it is our intention to send letters to all those affected by these changes to notify them of any changes to the current scheme. This should give owners time to consider whether they need to make any decisions with regard to the property before the additional charges come into effect on 1 April 2013

## **15.4 Human Resources Implications**

15.4.1 Whilst it would be reasonable to assume that to maximise collection rates, this may rely on the employment of more resources, under the current rules, all additional costs of employing staff would be the sole responsibility of the Council. This is despite the Council retaining only a relatively small element of the monies collected.

15.4.2 The removal and/or reduction of discounts will most likely result in some initial customer contact with the Council's Revenues and Customer Services Sections. It is further anticipated that there will be additional workload particularly in fraud, recovery and appeal activity on an ongoing commitment.

15.4.3 The opportunity cost of this additional work is unknown but it is likely to impact on in year as well as overall collection rates for which assumptions have been made. However, at this stage employing additional resources will not be considered until actual evidence is available and funding identified as part of a wider business case.

## **15.5 Environment and Sustainability Implications**

15.5.1 Bringing empty homes back into use can help sustain the viability of small rural communities by increasing the potential customer base.

## **15.6 Risk Management Implications**

15.6.1 The risks associated with each recommended change have been detailed in section 6 of this report and reflected in the risk management form at the end of this report.

15.6.2 As stated, it is likely that there will be increased recovery action necessary against landlords of unfurnished property who will now have to pay Council

Tax after 14 days of their property becoming empty and a risk that increased charges as a result of reduced discounts may cause owners of long term empty properties or second homes to refuse to pay the extra council tax. This risk is moderated by the excellent record of the Council's Revenues Section in collecting council tax during this extremely challenging economic climate and the additional powers available to the Council where court action is taken to obtain a liability order.

15.6.3 As such it is expected that a very high percentage of these charges will be collected which has been reflected in the assumptions made when compiling the Councils tax base.

15.6.4 The changes could also give rise to potential increases in fraud by owners claiming occupation of their dwellings by single occupants which will have the effect of reducing charges to a 75% liability of a full charge. Periodic reviews will be undertaken using appropriate data matching information where possible to try and detect where this is happening and taking appropriate action to correct this situation.

## 15.7 Equalities Implications

15.7.1 There are no issues of concern raised in the assessment that the proposed scheme will have a differential impact on particular groups as defined by the protected characteristics under the Equality Act 2010 including, race, gender, disability and others. Public authorities are required to have due regard to the aims of the general equality duty when making decisions and setting policies.

The Contact Officer for this report is Bob Trahern (719378).

## Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
Section 11 – 13, Local Government Finance Act 2012	Department of Communities and Local Government	New Legislation	December 2012

## Equality Impact Assessment Summary Sheet

Please complete the following table summarised from the equality impact assessment form. This should be completed and attached to relevant Board reports.

Name of Policy Procedure/Service	Council Tax Exemption Changes
Officer Responsible for assessment	Bob Trahern

--	--

Does this policy /procedure /service have any differential impact on the following equality groups /people

- (a) Is there a positive impact on any of the equality target groups or contribute to promoting equal opportunities and improve relations or:
- (b) could there be a negative impact on any of the equality target groups i.e. disadvantage them in any way

<b>Equality Group</b>	<b>Positive impact</b>	<b>Negative impact</b>	<b>Reasons/Comments</b>
<b>Racial</b>			
<b>Gender</b>			
<b>Disabled people</b>			
<b>Gay, Lesbian and Bisexual people</b>			
<b>Older/Younger people</b>			
<b>Religion and Beliefs</b>			
<b>People having dependents caring responsibilities</b>			
<b>People having an offending past</b>			
<b>Transgender people</b>			

If you have answered **No** to any of the above please give your reasons below

Please indicate if you believe that this document

Should proceed to further Impact assessment

Needs no further action

## Risk Management Form

**NORTH WARWICKSHIRE  
BOROUGH COUNCIL**

**Division**

**Cost Centre or Service**

Risk Ref	Risk: Title/Description	Consequence	Likelihood (5 = high, 1 = low)	Impact (5 = high, 1 = low)	Gross Risk Rating	Responsible Officer	Existing Control Procedures	Likelihood (5 = high, 1 = low)	Impact (5 = high, 1 = low)	Net Risk Rating
1	Projections of estimated income are not realised e.g. SPD Claims	Less income is raised	4	4	16	Bob Trahern	Regular Monitoring Undertaken Visits to dwellings Undertaking SPD Reviews	3	2	6
2	Dealing with increased fraud, recovery and appeal activity	A lack of resources to deal with the extra workload	3	4	12	Bob Trahern	Ongoing operational review by management with a view to recommending how this situation is best addressed	3	3	9
3	Increase In Non Payment	Less Income / More court action	3	3	6	Mike Shaw	More Liability Order requests	2	2	4
Risk Ref	Options for additional / replacement control procedure						Cost Resources	Likelihood (5 = high, 1 = low)	Impact (5 = high, 1 = low)	Net Risk Rating

Completed By: Bob Trahern

Date 20 December 2012

**Agenda Item No 7**

**Executive Board**

**17 January 2013**

**Report of the  
Deputy Chief Executive**

**Business Rates**

**1 Summary**

- 1.1 This report estimates the amount of money to be collected from Business Rates in North Warwickshire and the amounts that will need to be paid over to Central Government and the County Council.

**Recommendation to the Council**

- a) That the figures for the estimated collection of Business Rates as set out in Appendix A be agreed; and
- b) The Deputy Chief Executive be authorised to make any necessary adjustments in consultation with the Leader of the Council, prior to final submission.

**2 Introduction**

- 2.1 Members will be aware that from 1 April 2013, the system regarding the retention of business rates will change. Rather than paying the whole of business rates into the national pool and receiving a proportion back as grant, a proportion will be retained locally. 50% will be paid to the Government, 10% to the County Council and the remaining 40% allocated to the Borough. However, to the extent that the Borough's allocation exceeds a business rates baseline set by Government, this has to be paid over as a tariff.

- 2.2 The Government has recently announced provisional figures for 2013-14 and these are as follows:

	£000
Business Rates Baseline	15,622
NWBC Baseline Funding	<u>1,679</u>
Tariff Payable	13,983

- 2.3 This, therefore, implies a total local business rate of £39.1 million. This local business rate has been derived from Government calculating what they believe the national business rate will be, adjusting it down by an allowance for successful appeals and then distributing it to billing authorities in proportion to their share of the national business rate, averaged over the 2 years, 2010-11 and 2011-12.

- 2.4 The figures above are only estimates and could differ significantly from an authority's actual business rates collected if there are significant changes during 2012-13 or 2013-14, however, these will remain the base. Should an

authority collect more than the baseline, then it will keep a proportion of the gain, if it collects less, then it will have to stand a proportion of the loss subject to the limit of the safety net.

### **3 Authority's Estimates of Business Rates Collectable**

3.1 Estimating collection of business rates is notoriously difficult and can be affected by successful appeals which may cover a number of years, requests for empty property relief on large assessments, and changes in status which enable mandatory relief to be claimed, e.g. schools gaining Academy status. With this in mind, and given that this is the first year of a new and untested system, we have taken a prudent approach to estimating our business rates collectable and this is the figure that will feed through into the Council's budgets.

3.2 As the above figures are only broad estimates, authorities have been asked to inform Government by 31 January 2013, their own estimates of business rates collectable in 2013-14 and this will form the basis for paying the relevant shares to Government and the County Council. Attached at Appendix A is our estimate of the amount collectable, which at £39.2 million is marginally more than the figures in the Local Government Finance Settlement. Clarification is still being awaited on some issues around business rates, although those are not expected to change the figures in NDR1. It would be prudent to delegate authority to the Deputy Chief Executive in consultation with the Leader of the Council, to make any necessary adjustments prior to final submission.

### **4 Report Implications**

#### **4.1 Finance and Value for Money Implications**

4.1.1 If business rates are collected in line with the NDR 1 amount, the Council's funding will match the funding assumed by the government. Any variation will directly impact on the resources available to the Council.

#### **4.2 Environment and Sustainability Implications**

4.2.1 The implications of the implementation of this new system will need to be considered to ensure that any adverse impacts on the Council's resources are sustainable. The Council is working with local business communities to assist in maintaining a vibrant local economy whenever opportunities arise to do so. This includes supporting economic development via the Core Strategy and associated development plans, working with other areas via Local Enterprise Partnerships, supporting local employment opportunities and other measures.

#### **4.3 Risk Management Implications**

4.3.1 It will be important to monitor movements in business rates, as well as their collection, on an ongoing basis. This will allow expected variations in funding to be built into the Council's Medium Term Financial Strategy, so they can be managed over the medium term.



The Contact Officer for this report is Chris Brewer (719259).

### **Background Papers**

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

<b>Background Paper No</b>	<b>Author</b>	<b>Nature of Background Paper</b>	<b>Date</b>



Department for  
Communities and  
Local Government

## Appendix A

### ATIONAL NON-DOMESTIC RATES RETURN 1 NNDR1 2013-14

Please e-mail to : [nndr.statistics@communities.gsi.gov.uk](mailto:nndr.statistics@communities.gsi.gov.uk)

Please enter your details after checking that you have selected the correct authority name.

Please check the figures shown in the cells with a blue border and enter your own figures if you disagree with those suggested.

**A provisional version of the form should be returned to the Department for Communities and Local Government by  
Monday 7 January 2013**

The final version of this form, including a signed copy, must also be sent to the Department for Communities and Local Government by  
**Thursday 31 January 2013**

Select your local authority's name from this list:

Check that this is your authority :	North Warwickshire
Check that this is your E Code :	E3731
Local authority contact name :	Mike Shaw
Telephone number of local authority contact :	01827 719338
Fax number for local authority contact :	01827 719412
E-mail address of local authority contact :	<a href="mailto:mikeshaw@northwarks.gov.uk">mikeshaw@northwarks.gov.uk</a>

Ver 1.3

1. Number of hereditaments on the rating list on 30 September 2012		2,203
		£
2. Aggregate rateable value on the rating list on 30 September 2012		97,262,755
<b>GROSS CALCULATED RATE YIELD</b>		£
3. Enter line 2 x small business non-domestic rating multiplier (0.462)		44,935,392.81
<b>MANDATORY RELIEFS</b>		
<b>Small business rate relief</b>		£
4. Additional yield generated to finance the small business rate relief scheme	715,529.97	
5. Cost of small business rate relief for properties within billing authority area	1,123,634.53	
6. Net cost of the small business rate relief (Line 5 minus Line 4)		408,104.56
7. Cost of relief to charities		703,145.99
8. Cost of relief to Community Amateur Sports Clubs		27,382.20
9. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops		17,080.96
10. Cost of relief for partly occupied premises		313,956.00
11. Cost of relief for empty premises		855,103.89
<b>12. Total mandatory reliefs (Sum of lines 6 to 11)</b>		2,324,773.60
<b>DISCRETIONARY RELIEFS</b>		
13. Cost of relief to charities		27,418.53
14. Cost of relief to non-profit making bodies		611.75
15. Cost of relief to Community Amateur Sports Clubs		1,664.30
16. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops		4,452.38
17. Cost of relief to other rural businesses		0.00
18. Other Section 47 reliefs (Localism Act discounts)		0.00
<b>19. Total discretionary reliefs (Sum of lines 13 to 18)</b>		34,146.96
<b>20. Gross Rate Yield after reliefs (Line 3 minus lines 12 &amp; 19)</b>		42,576,472.25
21. Estimate of 'losses in collection'		132,782.87
22. Allowance for Cost of Collection		110,453.65
23. Special Authority Deductions - City of London Offset		0.00



**NATIONAL NON-DOMESTIC RATES RETURN 1 2013-14** **North Warwickshire**

Ver 1.3

**Section 2**

**Enterprise Zones**

	£	
24. Estimated level of discount to be awarded in 2013-14		0.00
25. Estimated value of non-domestic rates in the Enterprise Zone area in 2013-14	0.00	
26. Enterprise Zone baseline	0.00	
27. Total estimated value of business rates to be retained in 2013-14 (Line 25 minus line 26)		0.00

**New Development Deals**

28. Estimated value of non-domestic rates in the New Development Deals area in 2013-14	0.00	
29. New Development Deals baseline	0.00	
30. Total estimated value of business rates to be retained in 2013-14 (Line 28 minus line 29)		0.00

**Renewable Energy Schemes**

31. Total estimated value of business rates to be retained in 2013-14	0.00	
<b>32. Net Rate Yield excluding transitional arrangements and rate retention (Line 20 minus the sum of lines 21 to 23, 27, 30 &amp; 31)</b>		<b>42,333,235.73</b>

**Rate retention adjustments**

33. Estimate of the change in rateable value between 1 October 2012 and 30 September 2013		-3,902,154.00
34. Estimate of the change in receipts as a result in the change in rateable value (line 33 times the multiplier)		-1,802,795.15

This equates to a percentage change of % -4.01

35. Local authority's estimate of adjustment due to appeals		1,248,313.90
<b>36. Net Rate Yield excluding transitional arrangements but after rate retention adjustments (Line 32 plus lines 34 and minus line 35)</b>		<b>39,282,127.00</b>

**Section 3**

**Transitional arrangements**

37. Addition revenue received because reduction in rates have been deferred	22,992.95	
38. Revenue foregone because increase in rates have been deferred	60,957.86	
<b>39. Net cost of transitional arrangements (Line 38 minus line 37)</b>		<b>37,964.91</b>
<b>40. Net Rate Yield after transitional arrangements and rate retention (Line 36 minus line 39)</b>		<b>39,244,162.00</b>

**NNDR Summary for : North Warwickshire**

These figures show the percentage shares of the NNDR you estimate your authority will collect in 2013-14. They are based on line 36. See the *Tier Split* tab for full information

	£	
Amount of NNDR to be paid to central government		19,641,064.00
Amount to be retained by North Warwickshire under the rates retention scheme		15,712,851.00
Amount to be passed to Warwickshire		3,928,213.00

**Certificate of Chief Financial Officer**

I certify that the entries in lines 3, 12, 19, 20, 36, 39 and 40 of this form are the best I can make on the information available to me and that the figures given in lines 1 and 2 used in the calculating the amount shown in lines 36 and 40 are, to the best of my knowledge and belief those shown in the rating list for my authority as at 30 September 2012, subject to any order made before 15 January 2013 under the Local Government Act 1972 implementing boundary changes. I also certify that the authority has made proper arrangements for securing efficiency and effectiveness in relation to the collection of non-domestic rates. I also certify to the best of my knowledge and belief that any amount included as legal costs in line 22 and discretionary relief in line 24 meet the conditions set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Chief Financial Officer : .....

Date : .....



## **Agenda Item No 8**

### **Executive Board**

**17 January 2013**

#### **Report of the Assistant Director (Finance and Human Resources)**

#### **The Impact of Council Tax Support on Parish Councils**

### **1 Summary**

- 1.1 The introduction of Council Tax Support (CTS) from April 2013 will reduce the taxbase of all parish councils within North Warwickshire. This report proposes an option for ensuring that individual parishes do not suffer a reduction in funding in 2013/14 as a result of the move to CTS.

#### **Recommendation to Council**

**To approve the grant payments to parish councils in 2013/14 as set out in Appendix A.**

### **2 Introduction**

- 2.1 The introduction of Council Tax Support (CTS) from April 2013 will reduce the taxbase of all parish councils within North Warwickshire. The Band D charge for each parish is calculated by dividing the precept they require by their taxbase. To achieve the same precept with a reduced taxbase, would require an increase in the Band D charge.

### **3 Government Grant**

- 3.1 The government are providing grant to the major precepting authorities to offset 90% of the reduction in their council tax income arising from the change to the taxbase as a result of the implementation of CTS.
- 3.2 Borough / District Councils with town or parish councils in their area are required to account for town and parish precepts in their accounts, and include these amounts in their budget resolution. In line with this, an element of the grant funding that North Warwickshire will receive, relates to the reduction in the parish precepts that will occur as a result of CTS.
- 3.3 District Councils can retain the full grant they receive from the government or could choose to pass an appropriate element on to parish councils.
- 3.4 Should the Council not pass on the grant this would result in increases in Parish council taxes in the range of 3.9% to 24%. There are no constraints on

the level of council tax increases for parish councils in 2013/14, however this may change in future years..

#### **4 Other Considerations**

- 4.1 Many district councils have chosen to review their policies on discounts and exemptions, with a view to making savings to offset the 10% shortfall they will experience in their council taxbase, as a result of CTS.
- 4.2 North Warwickshire is no exception, and a separate report on this agenda has put forward a number of recommendations on proposed changes to discounts and exemptions. If these are accepted, there will be some increases in the tax base, which will partially offset the reduction from CTS.

#### **5 Proposal for the Transfer of Grant to Parish Councils**

5.1 The parish element of both the CTS grant and the transitional grant (for keeping the impact on working age claimants to a maximum of an 8.5% increase) is insufficient to cover the impact of CTS, if it is viewed in isolation. However, as mentioned above, reductions in the discounts and exemptions awarded will partially offset the loss of income as a result of CTS.

5.2 It is proposed to compensate parishes for the net loss of income arising from CTS, after any increases in income from changes in discounts and exemptions have been taken into account. As a reduced council tax collection rate of 98% is anticipated as a result of the various changes (previous estimates used 98.5%), it is proposed to include an allowance for this, in any grant allocation. The grant allocations for 2013/14 for individual parishes using these criteria are set out in Appendix A.

5.3 Assuming other elements remain constant and individual parishes reduce their precept amount by the grant allocation, they will be able to maintain their overall 2012/13 funding level in 2013/14, without an increase in their 2012/13 Band D amounts.

5.4 If parishes choose to increase their precept above the 2012/13 level, there would be an increase in the Band D amount, as in any other year. Each year there can be small fluctuations in Band D amounts as a result of normal housing activity in the parish, and these would continue to occur.

5.5 From 2014/15 any government funding North Warwickshire receives towards CTS will be included within its overall funding assessment, and will not be shown separately. As national totals indicate a 12.7% reduction in the funding assessment for districts, this implies the same reduction in council tax support. This will affect both North Warwickshire and parish councils.

#### **6 Report Implications**

##### **6.1 Finance and Value for Money Implications**

6.1.1 Splitting the government grant on the basis of 2012/13 precept amounts would make grant of around £114,960 available for distribution in 2013/14 to the parishes. The grant required to remove the net impact of CTS, changes to discounts and exemptions and a poorer collection rate as a result of the changes, amounts to £110,262. This would leave £4,698 unallocated, which would be available for any unforeseen impacts of the revised schemes.

6.1.2 Any grant allocations to parishes in future years would need to be scaled back to reflect the reduction in government funding, if the Borough Council is to avoid additional costs relating to the Parish element of CTS.

## 6.2 Risk Management Implications

6.2.1 A small 'unallocated pot' gives individual parishes an opportunity to request additional funding if there are any unforeseen impacts of the revised schemes. If unused in 2013/14, the unallocated pot would be available to reduce the impact of grant losses in 2014/15.

## 6.3 Equalities Implications

6.3.1 The suggested approach means that parishes where there are higher current levels of benefit claimants will not be adversely affected by the changes.

The Contact Officer for this report is Sue Garner (719374).

### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date



## APPENDIX A

### Proposed Transfer of Grant in 2013/14

Parish	Proposed Grant £
Ansley	3,260
Arley	4,097
Astley	133
Atherstone	28,145
Austrey	471
Baddesley Ensor	5,113
Baxterley	637
Bentley / Merevale	109
Caldecote	-
Coleshill	23,183
Corley	795
Curdworth	1,355
Dordon	3,468
Fillongley	1,081
Great Packington	-
Grendon	1,225
Hartshill	11,969
Kingsbury	3,440
Lea Marston	154
Little Packington	-
Mancetter	4,745
Maxstoke	186
Middleton	1,019
Nether Whitacre	546
Newton Regis / Seckington	949
Over Whitacre	74
Polesworth	7,471
Shustoke	1,251
Shuttington	943
Water Orton	4,401
Wishaw	42
<b>Total</b>	<b>110,262</b>