

Council Tax Base and Localisation of Council Tax Reduction Scheme

Paul Darby

Head of Finance & Transactional Services

4 February 2020

Altogether better



Council Tax Reduction Scheme

- The Local Council Tax Reduction Scheme (LCTRS) was first introduced on 1 April 2013 – all Councils who administer Council Tax must adopt a LCTRS annually
- Replaced the national Council Tax Benefit scheme
- **LCTRS provides a discount against Council Tax rather than a benefit payment therefore impacts on the tax base – impact varies across the County**
- Major transfer of risk to local government
- In 2013/14 Central Government provided support through a grant – which was 10% less than the total costs
- The grant now forms part of general formula grant and has been subject to year on year reductions

Altogether better



Council Tax Reduction Scheme

- Pensioners **must** be protected
- When it was introduced, there were approximately 63,000 eligible households on CTB and around 50% of all eligible households were of working age
- To recover the initial 10% grant cut they faced at least a 20% reduction in their entitlement
- Despite austerity DCC has so far managed to continue to protect **all** Council Tax Reduction Scheme households
- Currently there are approximately 57,000 households on LCTRS of which Pensionable Age = 40% and Working age = 60%

Altogether better



Council Tax Reduction Scheme

- In 2013/14, a range of discount changes were introduced to increase charges on long term empty properties and second homes
- In 2020/21 further changes will be introduced to increase charges on long term empty properties
- Initially, in 2013/14, the Council received an un-ringfenced grant of £40.259m (including £2.332m for T&PCs) in respect of the LCTRS
- From 2014/15 the LCTRS grant (incl. the T&PCs element) was rolled into the Councils formula grant and no specific allocations were exemplified
- Formula grant has been reduced year on year.

Altogether better



Council Tax - Overview

- Council Tax is set by dividing the Council Tax Requirement by the “Band D equivalent” tax base
 - The Band D Council Tax figure is therefore significantly influenced by the mix of property types in an area (the taxable capacity of an authority)
 - County Durham has a high proportion of properties in the lower Bands (c84% Band A-C), therefore a low Band D equivalent tax base and a higher Band D Council Tax
 - Each property is allocated to a town or parish council area (where appropriate)
 - There are two Tax Bases – one for the whole of the County and one for each locality (town / parish area)
 - This is to allow local precepting authorities (T&PCs) to set their Council Tax
- Altogether better*

Tax Base Calculation 2020/21

Band	Proportion Band D	Total Dwellings	Discounts, Exemptions & Reliefs	Chargeable Dwellings	Band D Equivalents prior to LCTRS & Long Term Empty Premium Changes
A	6/9ths	143,844	(19,311.4)	124,532.6	82,978.0
B	7/9ths	34,007	(4,854.7)	29,152.3	22,674.0
C	8/9ths	30,712	(3,094.2)	27,617.8	24,549.2
D	1	21,669	(2,059.6)	19,609.4	19,609.4
E	11/9ths	10,473	(861.5)	9,611.5	11,747.4
F	13/9ths	4,081	(304.5)	3,776.5	5,454.9
G	15/9ths	2,188	(163.0)	2,025.0	3,375.0
H	18/9ths	277	(122.5)	154.5	309.0
Total		247,251	(30,771.4)	216,479.6	170,696.9

Altogether better

Discounts and Exemptions 2020/21

➤ **Statutory:**

- Single Persons Discount (25%)
- Occupied by Students (100%)
- In care (100%)

➤ **Discretionary**

- Empty Properties (range from 0 to 50% - DCC Policy = 0%)
- Second Homes (range from 10 to 50% - DCC Policy = 0%)
- The only means tested reduction is the Local Council Tax Reduction Scheme, which was a benefit payment prior to April 2013.

Altogether better

Tax Base Calculation 2020/21

Band	Proporti on Band D	Chargeable Dwellings	Band D Equivalents prior to LCTRS & Long Term Empty Premiums	Long Term Empty Premium Changes	LCTRS Band D Equivalent	Band D Equivalent for CT Setting Purposes	Tax Base Growth
A	6/9ths	124,532.6	82,978.0	300.0	(23,964.4)	59,313.6	
B	7/9ths	29,152.3	22,674.0	34.9	(2,331.0)	20,377.9	
C	8/9ths	27,617.8	24,549.2	23.3	(1,245.6)	23,326.8	
D	1	19,609.4	19,609.4	23.7	(568.5)	19,064.6	
E	11/9ths	9,611.5	11,747.4	14.1	(238.4)	11,523.1	
F	13/9ths	3,776.5	5,454.9	8.2	(69.4)	5,393.7	
G	15/9ths	2,025.0	3,375.0	8.4	(24.8)	3,358.6	
H	18/9ths	154.5	309.0	6.4	0.00	315.4	
Total		216,479.6	170,696.9	419.0	(28,442.1)	142,673.7	500.0
		LCTRS as a % of Band D Equivalents			19.94%		143,173.7

Tax Base (99.0%) 141,742.0

Altogether better



Spennymoor Town Council

➤ 2019/20 Tax Base SPTC = 6,066.1

2020/21 Calculation:

- Actual No. of Dwellings at 1 October 2019 = 10,457
- No. of Dwellings (after discounts and premiums) = 9,345.3
- Band D Equivalent No. of Dwellings = 7,422.7
- LCTRS Reduction = (1,213.6) Band D Equivalents
- LTE Changes 2020 = 15.3 Band D Equivalents
- Estimated Growth in Tax Base 2020/21 = 21.7
- Taxbase at 100% Collection Rate is 6,246.1
- Provision for Non-Payment @ 1% = (62.5)
- **2020/21 Tax Base SPTC = 6,183.6**
- **Year on Year increase in tax base of 117.5**

Altogether better



Council Tax 2020/21

- The Band D Council Tax is set by dividing the Council Tax Requirement (or precept) by the “Band D equivalent” tax base
- In terms of actual charges levied to individual households:
 - people in Band A are charged 6/9^{ths} of this figure
 - People in Band B are charged 7/9^{ths} etc, etc, up to
 - People in Band H are charged 200% of this figure!
- Comparing Band D Council Tax figures is meaningless

Altogether better



LCTRS Grant

- In 2013/14 the Council received an un-ringfenced grant of £40.259m (including £2.332m for T&PCs) plus Transition Grant Funding of £1.094m (including £0.061m for T&PCs)
[Transition Grant Funding was a one off]
- The majority of Councils chose to keep all the grant and not pass any onto T&PCs
- DCC passported in full £2.332m of LCTRS Grant and £0.061m of Transition Grant Funding to you
- The £2.332m formed part of the Council's formula grant funding, which has reduced year on year

Altogether better



LCTRS Grant

- The grant paid to you each year has been partially (60%) reduced in line with the Council's RSG reductions but partially (40%) increased in line with RPI/CPI
- This reflected the splits in the original Start Up Funding Allocation – details of how this works were provided to T&PCs in letters to the clerks in July 2013
- The grant due to you in 2020/21 has however been increased fully by CPI (Sept 19), in line with increases to the Council's RSG next year.

Altogether better



LCTRS Grant

Year	RSG Element		SUFA Element		Total	Year on Year	
	£m	% Inc. / (Dec.)	£m	% Inc. / (Dec.)	£m	£m	% Inc. / (Dec.)
2013/14	24.155	-	16.104	-	40.259	-	-
2014/15	19.750	(18.24)	16.619	3.20	36.369	(3.890)	(9.66)
2015/16	14.191	(28.15)	17.001	2.30	31.192	(5.177)	(14.23)
2016/17	11.147	(21.45)	17.015	0.08	28.162	(3.030)	(9.71)
2017/18	8.092	(27.41)	17.355	2.00	25.447	(2.715)	(9.64)
2018/19	6.049	(25.25)	18.032	3.90	24.081	(1.366)	(5.37)
2019/20	3.991	(43.02)	18.627	3.30	22.618	(1.463)	(6.08)
2020/21	4.049	1.70	18.944	1.70	23.003	0.385	1.70

- **LCTRS Grant to DCC has reduced from £40.259m in 2013/14 to an estimated £23.003m in 2020/21 – a reduction of £17.256m or circa 43%**

Altogether better



LCTRS Grant – T&PC Element

Year	RSG Element		SUFA Element		Total	Year on Year	
	£m	% Inc. / (Dec.)	£m	% Inc. / (Dec.)	£m	£m	% Inc. / (Dec.)
2013/14	1.399	-	0.933	-	2.332	-	-
2014/15	1.144	18.23	0.963	3.20	2.107	(0.225)	(9.65)
2015/16	0.822	28.15	0.985	2.30	1.807	(0.300)	(14.24)
2016/17	0.705	14.23	0.986	0.08	1.691	(0.116)	(6.42)
2017/18	0.405	42.55	1.006	2.00	1.411	(0.280)	(16.56)
2018/19	0.356	12.10	1.045	3.90	1.401	(0.010)	(0.71)
2019/20	0.235	33.99	1.079	3.30	1.314	(0.087)	(6.21)
2020/21	0.233	0.850	1.097	1.70	1.330	0.016	1.22

- **T&PC LCTRS Grant has reduced from £2.332m in 2013/14 to an estimated £1.330m in 2020/21 – a reduction of £1.002m or c43%**

Altogether better



LCTRS Grant Distribution

- The method of distribution was agreed by the Local Council Working Group (LCWG)
- Cllr Bill Waters from SPTC was part of this Working Group – as rep of the Larger T&PCs
- The LCTRS Grant is distributed to T&PCs is based on their total loss in tax raising capacity year on year
- This means an increase in your tax base would result in a smaller share of the total grant, similarly a reduction in your tax base gives you a greater share of the total grant
- In 2015/16, alternative methods of distribution were modelled and discussed at the LCWG but this resulted in large swings in grant allocations. It was agreed that the current method of distribution would continue

Altogether better



QUESTIONS?

Altogether better

