

**Theme and Overview: 1. Self-Sufficient Council: Optimising Council Tax Income**

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**Overview of proposal:**

The income that the County Council expects to derive in 2016/17 from Council Tax is £225 million or 74% of its total net revenue after taking account of Specific Grants and Income from charging. Included within the current Medium Term Financial Plan (MTFP) are forecasts for income increases in Council Tax due to Housing Growth as follows:

- 2017/18 £2.9 million (2600 new Band D equivalent dwellings) or 1.3%
- 2018/19 £3.5 million (3000 new Band D equivalent dwellings) or 1.5%
- 2019/20 £3.6 million (3000 new Band D equivalent dwellings) or 1.5%

Set out below is how income from Council Tax relates to other income received by the County Council after accounting for Specific Grants and charging.

Table 1: How forecast Council Tax income will change with regard to funding

Funding Type	2016/17		2017/18	
	£m	%	£m	%
Revenue Support Grant	36.3	11	0	0
Business Rates	58.1	18	62.2	20
Council Tax	225.0	70	256.5	80
<b>Total</b>	<b>319.4</b>	<b>100</b>	<b>318.7</b>	<b>100</b>

The table above illustrates the growing importance of optimising our income from local sources, and in particular, Council Tax, as we move towards Self-Sufficiency.

Council Tax income currently represents 70% of our funding, and this is set to rise to 80% by 2019/20.

The target for supporting the 2017/18 financial planning gap is to achieve £2 million in additional income through activities to increase Council Tax Yield incorporating any Council Tax Buoyancy over the forecast included in the Medium Term Financial Plan.

This proposal around increasing Council Tax Yield has been developed by the Herefordshire and Worcestershire Treasurers Association and shared with the Worcestershire Leaders Board and is four-fold totalling at present **£1.7 million**:

- 1) **£0.55 million** Council Tax Support Scheme minimum payment harmonisation to 20%
  - The two areas yet to implement this minimum payment in their Support Schemes are Malvern Hills District Council and Worcester City Council. The potential additional income is £0.15 million and £0.45 million for the County

- Council respectively
- Consultation needed at latest to commence in Autumn 2016
  - The additional income that is forecast for Worcester City Council is £0.12 million and there is some risk around this being realised for 2017/18
  - The additional income that is forecast for Malvern Hills District Council is £0.03 million. By implementing the minimum payment Malvern Hills District Council would need to adjust other areas of their scheme and this is currently under consideration; and
  - Under the existing cost share methodology, the County Council effectively doubles the benefit to each District Council by offering them 10% of any additional yield to the County Council to run a hardship scheme. Any underspend on this hardship scheme can be retained by the District Council
- 2) **£0.45 million** from harmonising a) Class C Council Tax Exemptions at 1 month 100% and b) a Long Term Empty Premium of 150% being applied across Worcestershire
- The cost sharing methodology is set out in the Council Tax Support section (1)
  - Class C, relates to temporary vacant properties (buy/sell lag for example)
  - Proposals are for all Districts to follow this best practice methodology
- 3) **£0.55 million** increased income through minimising Council Tax Fraud and Error
- Under the existing cost share methodology, the costs are shared on the basis of the benefit derived from preceptors – e.g. 70% for the County Council
  - The average gross recovery from each District Council is forecast to be £0.15 million and therefore £0.9 million in total and once the cost of recovery is accounted for the net forecast is for £0.55 million of additional revenues per year for the County Council

This is effectively 20% of an original Business Case following a 'confirm and challenge' process on the assumptions by Civica. The intention is to further explore this and ensure it is developed and quality assured by the Worcestershire Treasurers for immediate implementation (potentially in 2016/17). This may also result in an upward review of the potential for additional income

- 4) **£0.15 million** New Homes Bonus
- Additional income to be derived through identifying earlier those properties that were vacant that are bought back into use to qualify for New Homes Bonus. The benefit relates to the 20% share due to the County Council

Worcestershire District Council Treasurers are due to report latest forecasts on likely 2017/18 Council Tax Buoyancy and Collection Funded surpluses in December 2016. Any gap or shortfall will be targeted for recovery through further work on Fraud and Error, Council Tax Buoyancy, recovery through additional work on Fraud and Error and Business Rates.

**What additional savings/income is targeted and when is this expected to be delivered?**

Budget				
2016/17	£225 million			
Savings				
Initiative	2017/18 £,000	2018/19 £,000	2019/20 £,000	Post 2020 £,000
	2000			
Total	2000			

There is further benefit across the Worcestershire District Councils, West Mercia Police Authority and Hereford and Worcester Fire and Rescue Service who will see additional income as a result of these proposals.

**Cost of delivery e.g. redundancy, additional resources to deliver, investment in technology and assets etc.**

Costs of implementation are expected to be shared across the County Council and District Councils who will see the benefit.

The cost to the County Council is anticipated to be up to £0.5 million and this has been included in the net additional income forecast of £2 million referred to above.

Should the Council Tax Support Schemes not be amended to harmonise minimum payments then the forecast annual benefit would reduce to £1.7 million.

**What will be the key outcomes?**

Optimisation of income across Worcestershire Public Sector organisations

**What will be the key work streams that will enable the delivery of this theme and who will lead their ongoing development?**

1.	<b>Implement a 20% minimum payment to harmonise Council Tax Support Schemes across the County</b>	
	Lead Head of Service:	Sean Pearce with District Council partners
2.	<b>All District Councils to agree to harmonise Class C Exemptions and Long Term Empty Property premiums</b>	
	Lead Head of Service:	Sean Pearce with District Council partners
3.	<b>Worcestershire Treasurers Business Case on Fraud and Error</b>	
	Lead Head of Service:	Mark Sanders with District Council partners
4.	<b>Council Tax and Business Rates updating forecasts</b>	
	Lead Head of Service:	Sean Pearce with District Council partners

**What are the key milestones for delivery?**

Stream	Key Milestones	Planned Date
1	District Council Consultations as required	Autumn 2016
2	Worcestershire Treasurers sign off Business Case to invest in reducing Council Tax Fraud and Error	Dec. 2016
3	Revise updates on income streams for latest forecasts	Dec. 2016

**Risks**

#	There is a risk that.....	Which could (impact).....	Mitigation.....
1	District Council Buoyancy Forecasts are not £1 million over the current forecast (£5 million in the MTFP)	Reduce additional income aspirations for the County Council by £1 million	Second Quarter monitoring available to the CFO in December 2016
2	HWTa Business Case on Fraud and Error increases the forecast gain from this area	Increases income that can be derived on Fraud and Error work from £0.15 million per District Council to closer to the Wyre Forest original Business case of £1 million per District Council	HWTa Business Case to be developed over December 2016
3	Business Rates forecasts increase from District Councils	Additional income from Business Rates to be reincorporated into the MTFP	Forecasts to be reviewed by HWTa in December 2016