

# Cabinet

9 JANUARY 2012

**LEADER**

*Councillor Stephen Greenhalgh*

**COUNCIL TAX BASE AND COLLECTION RATE  
2012/2013**

**Wards:  
All**

This report contains an estimate of the Council Tax collection rate and calculates the Council Tax base for 2012/13.

The Council Tax base will be used in the calculation of the Band D Council Tax undertaken in the Revenue Budget Report for 2012/13.

**CONTRIBUTORS**

EDFCG  
ADLDS

**Recommendation:**

**The Cabinet is requested to make the following recommendations to Council for 2012-2013 financial year for approval:**

**HAS A EIA BEEN COMPLETED?**  
Yes

- (i) That the estimated numbers of properties for each Valuation Band as set out in this report, be approved.
- (ii) That an estimated Collection rate of 97.5% be approved.
- (iii) That the Council Tax Base of 80,087 Band "D" equivalent properties be approved.

**HAS THE REPORT CONTENT BEEN RISK ASSESSED? N/A**

## **1. BACKGROUND**

- 1.1 Under Section 33(1) of the Local Government Finance Act 1992 and the Local Authorities (Calculations of Council Tax Base) Regulations 1992, the Council (as billing authority) is required to calculate its Council Tax Base. This comprises both the estimated numbers of properties within each Valuation band plus the Council's estimate of its collection rate for the coming financial year.
- 1.2 For the current financial year the Council approved a Council tax base of 81,845 Band D equivalent dwellings, and an estimated Collection Rate of 97.5%, which resulted in a tax base of 79,799.
- 1.3 Under Section 11A of the Local Government Finance Act 1992 and the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 the Council has reduced discounts for Second Homes and Long Term Empty properties.
- 1.4 For 2005/06 and subsequent years until revoked, the Council approved discount reductions on Second Homes from 50% to 10% and on Long Term Empty properties from 50% to 0%.

## **2. PURPOSE**

- 2.1 The purpose of the report is for the Cabinet to make recommendations to Council on the estimated Collection Rate and Council Tax Base for 2012/13.

## **3. DISCOUNTS**

### **3.1 Second Homes**

- 3.1.1 There are some 1,951 second homes in the borough. The reduction in discount from 50% to 10%, will add an additional 924 Band "D" equivalents to the taxbase for 2012/13.
- 3.1.2 Based upon 2011/12 Council Tax levels this reduction in the discount will generate income to the Council of £0.75m. Such additional income will directly benefit the Council and is allowed for within our Medium Term Financial Strategy. Our preceptor, the GLA, will also benefit from the reduction in the discount.

### **3.2 Long Term Empty Properties**

- 3.2.1 There are some 757 long-term empty properties and these have been reflected in the CTB1 return, which the Council provided to the DCLG on 14 October 2011. The net impact of the reduction in the discount on long term empty properties from 50% to nil, is to add an additional 434

Band D equivalents to the taxbase.

3.2.2 Based upon 2011/12 Council Tax levels this will generate additional income of £0.35m. Unlike the income generated from the reduction in the second homes discount the Government consider that such additional council tax income should not directly benefit the Council. Accordingly it is taken account of within the Formula (RSG) Grant process. The Government suggest that any decision regarding the long term empty property discount rate should be made for housing, rather than financial, reasons.

#### 4. VALUATION BAND PROPERTIES

- 4.1 The latest information on the number of properties within each valuation band is contained within a return (CTB1), which the Council provided to the DCLG on 14 October 2011.
- 4.2 This return reflected the actual number of properties shown in the Valuation List as at 12 September 2011 and the Council's records as at 3 October 2011.
- 4.3 A detailed analysis of the properties in each valuation band can be summarised as follows. There are a total of 82,330 dwellings on the list with some 31,806 properties estimated to receive a sole occupier discount. The total Band "D" equivalent is approximately 81,814 properties.

<b>Band</b>	<b>Band Size</b>	<b>Total Dwellings</b>	<b>Total after Discounts, Exemptions and Disabled Relief</b>	<b>Ratio</b>	<b>Band "D" Equivalents</b>
	Band A disabled relief	0	0.00	5/9	0.0
A	Values not exceeding £40,000	3,259	2,631.75	6/9	1,754.5
B	Values exceeding £40,000 but not exceeding £52,000	5,553	4,481.25	7/9	3,485.4
C	Values exceeding £52,000 but not exceeding £68,000	13,980	11,253.50	8/9	10,003.1
D	Values exceeding £68,000 but not exceeding £88,000	23,613	20,030.50	9/9	20,030.5

<b>Band</b>	<b>Band Size</b>	<b>Total Dwellings</b>	<b>Total after Discounts, Exemptions and Disabled Relief</b>	<b>Ratio</b>	<b>Band "D" Equivalents</b>
E	Values exceeding £88,000 but not exceeding £120,000	14,566	12,739.75	11/9	15,570.8
F	Values exceeding £120,000 but not exceeding £160,000	8,835	7,850.50	13/9	11,339.6
G	Values exceeding £160,000 but not exceeding £320,000	10,509	9,546.00	15/9	15,910.0
H	Values exceeding £320,000	2,015	1,860.00	18/9	3,720.0
		<b>82,330</b>	<b>70,393</b>		<b>81,813.9</b>

## 5. ADJUSTMENTS TO THE VALUATION LIST

5.1 The above table shows the valuation band position at 12 September 2011 but the Council is also required to take into account likely changes during the financial year 2012-2013. The following potential adjustments need to be considered:

- (i) New Properties  
There are likely to be a number of new properties, conversions etc. added to the valuation list at some point during the year. There are approximately 189 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2012/13. It is estimated after allowing for different completion dates that this will equate to an additional 160 Band 'D' equivalents.
- (ii) Banding Appeals  
There have been over 10,000 appeals lodged with the valuation office in respect of initial Council Tax bandings. There are now only a small number unsettled so it is not proposed to make any adjustments for these.
- (iii) Second Homes  
The effect of reducing the discount for second homes from 50% to 10% from 1 April 2012, would add a further 924 Band "D" equivalents as outlined in section 3.1.
- (iv) Student Exemptions  
Dwellings wholly occupied by students are exempt from Council Tax. The projected Council Tax base needs to be adjusted to allow for

students that have yet to prove their exemption for the new academic year. It is estimated that an adjustment of 758 Band “D” equivalents is required.

- 5.2 The Council is required to set its Tax Base on the total of the relevant amounts for the year for each of the valuation bands shown or is likely to be shown for any day in the year in the authority’s valuation list.
- 5.3 Taking into account the latest information from the CTB1 return to the DCLG and the proposed adjustments, the Cabinet is requested to approve the estimated numbers of properties for each valuation band as set out in the following table:

<b>Band</b>	<b>Band “D” Equivalent Actual September 2011</b>	<b>Adjustments for New Properties</b>	<b>Adjustments for second homes discount</b>	<b>Adjustments for student exemptions</b>	<b>Revised Band “D” Equivalents 2012/13 Forecast</b>
A	1,754.5	0	24	-8	1,771
B	3,485.4	0	34	-22	3,497
C	10,003.1	72	89	-128	10,036
D	20,030.5	22	220	-214	20,059
E	15,570.8	7	185	-166	15,597
F	11,339.6	26	128	-143	11,351
G	15,910.0	30	181	-67	16,054
H	3,720.0	3	62	-10	3,775
	81,813.9	160	924	-758	82,140

## **6. COLLECTION RATE**

- 6.1 The Council is also required to estimate its Collection Rate for 2012/13 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2012/13, the Council should take into account the likely sum to be collected, previous collection experience and any other relevant factors.
- 6.2 The actual sum to be collected from local Council tax payers cannot be finally determined until, the preceptors requirements are known and the Council has approved its budget. The Council therefore has to make an estimate of the sums to be collected locally making estimated allowance for sums from Council Tax Benefits and write-offs/non-collection.

- 6.3 The actual collection rate for 2011/12 achieved to mid November 2011 is 68.9% comprising cash collection of £51.9m and Council Tax benefit of £16.5m. It is estimated that a further £20.1m (26.6%) will need to be collected by 31 March 2012 and £1.5m (2.0%) thereafter.
- 6.4 Collection performance has been calculated in order to comply with DCLG performance indicator calculations. Latest calculations for 2010/11 and 2011/12 show that the current collection rate can be continued for 2012/13. It is therefore suggested that the collection rate for 2012/13 is maintained at 97.5%

## 7. THE TAX BASE

- 7.1 Under Section 33(1) of the Local Government Finance Act 1992 and the Regulations, the Council's tax base is calculated by multiplying the estimated number of Band "D" equivalents by the estimated collection rate.
- 7.2 Based on the number of Band "D" equivalents in the table in paragraph 5.4 above and the estimated collection rate in paragraph 6.4 above, the calculation is as follows:-

(Band D equivalents) x (Collection Rate) = (Tax Base)			
82,140	x	97.5%	= 80,087

## 8. FUTURE REFORM

- 8.1 The Government have issued a consultation paper on potential technical adjustments regarding the Council Tax Base. The possible changes, which would apply from 2013/14 onwards, include:
- Reducing, should authorities so decide, the discount on second homes (currently 10% for LBHF) to nil.
  - Removing the exemption should authorities so decide, of certain categories of property from Council Tax. The largest such group (around 700 for LBHF) is properties that are vacant and unfurnished for up to 6 months.
  - Allowing authorities to charge a premium for properties that are vacant for more than two years.
- 8.2 This authority welcomes these reforms as it increases local choice and flexibility. It could also increase local income. An initial estimate suggests the changes regarding second homes and removing exemptions could increase income by £0.75m.

## **9. RISK MANAGEMENT.**

- 9.1 This is a statutory process and any risks are monitored through the Council's MTFs process.

## **10. EQUALITY IMPLICATIONS**

- 10.1 There are no equality implications in this report.

## **11. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

- 11.1 The tax base is set by 31 January each year, as outlined in the Local Government Finance Act 1992. It is used within the overall Council Tax and budget setting process, due to be reported to Budget Council on 29 February 2012.
- 11.2 The proposed Council Taxbase for 2012/13 of 80,087 is 288 band D equivalents higher than the 79,799 agreed for 2011/12. This will result in a net increase in forecast 2012/13 Council Tax income, for the Council, of £0.23m.
- 11.3 The Local Government and Finance Act requires that all council tax and non-domestic rates income is paid into a Collection Fund along with payments out regarding the Greater London Authority precept, the national pool for non-domestic rates and the contribution towards the Council's own General Fund. As at the close of 2010/11 the Fund had an underlying deficit of £0.28m. The uplift now reported in the 2011/12 Council Tax Base should address this deficit as the amount now forecast to be collected is more than that assumed within the 2011/12 Revenue Budget. Accordingly there are no plans to recover the Collection Fund deficit as part of the 2012/13 Revenue Budget process.
- 11.4 The current Local Government Finance system incorporates two unringfenced revenue grants which relate to Council Tax Base data. They are:
- A Council Tax Freeze Grant. This will provide a grant equivalent to a 2.5% increase in the 2011/12 Council Tax charge. Based on these Taxbase figures this would deliver a 2012/13 grant of £1.62m.
  - A New Homes Bonus Grant. This is intended to match fund the additional council tax for each new home and property brought back into use, for each of the six years after that home is built. It is not yet clear how this will operate in practice. Based on the increase in the Council Tax Base data the potential extra 2012/13 grant could be in the region of £0.9m.

These grant awards will be taken account of within the MTFs process.

## **12. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL & DEMOCRATIC SERVICES)**

- 12.1 The Council is under a statutory duty to set the Council Tax for the forthcoming financial year and to make a budget. This report forms part of that process. The Council is obliged, when making its budget, to act reasonably and in accordance with its statutory duties, the rules of public law and its general duty to Council Tax payers.
- 12.2 The basic amount of Council Tax must be calculated in accordance with Section 31(1) of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) Regulations 1992.
- 12.3 The Council Tax base has been calculated in accordance with the Act and the Regulations. The estimated collection rate to 97.5% is a reasonable and realistic estimate.
- 12.4 Regulations under the Local Government Act 2003 allow the Council to reduce Council Tax discount for dwellings that are not the sole or main residence of an individual and which are furnished (second homes) to a minimum of 10%. The regulations also allow the Council to reduce Council Tax discount for dwellings that are unoccupied and substantially unfurnished for more than six months (long term empty properties) to zero.

### **LOCAL GOVERNMENT ACT 2000** **LIST OF BACKGROUND PAPERS**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext. of Holder of File/Copy</b>	<b>Department/ Location</b>
1.	Local Government Finance Act 1992	A. Lord Ext. 2531	Ground Floor Room 5 Town Hall
2.	DCLG Return CTB1 (October 2011)	S. Barrett Ext. 1053	2 <sup>nd</sup> Floor Town Hall Extension
3.	Taxbase Adjustment Calculations	S. Barrett Ext. 1053	2 <sup>nd</sup> Floor Town Hall Extension
4.	Collection Rate Statistics	S. Barrett Ext. 1053	2 <sup>nd</sup> Floor Town Hall Extension