



General Purposes Committee 22nd January 2013

Report from the Deputy Director of Finance

For Action

Wards Affected:
ALL

Calculation of Council Tax Base 2013/14

1. Summary

- 1.1 This report sets out council tax base calculations to be used for 2013/14. The level of council tax base set is used in the calculation of the council tax for 2013/14. Regulations require that the council tax base is set by 31st January prior to the start of the financial year.

2. Recommendations

2.1 To agree that:

- (i) The collection rate for the council tax for 2013/14 is set at 96.0%.
- (ii) In accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992, the amount calculated by the council as its council tax base for 2013/14 is set at **77,191**.

3. Detail

3.1. Background

3.1.1. The calculation of the tax base is one of the main stages in the process of setting the council tax, which is scheduled for the Council Meeting on 25 February 2013. Under regulations issued in 1992, the calculation must be carried out by 31st January prior to the start of the financial year

3.1.2. The calculation is initially based on the council tax base return submitted to the Department of Communities and Local Government in October 2012, which is used in Government grant calculations. For 2013/14 the tax base used in grant calculations is 101,875 Band D equivalent properties. From 2013/14 onwards this figure needs to be adjusted to take account of changes introduced in the 2012 Local Government Finance Act.

3.1.3. Under this Act, the previous scheme of Council Tax Benefit (CTB) has been replaced by a new localised Council Tax Support Scheme. Under CTB, local

authorities basically received 100% subsidy on the actual cost of CTB granted. However under Council Tax Support the government will be giving a fixed annual grant which is designed to cover 90% of the previous cost of CTB (i.e. imposing a 10% cut in government subsidy) with local authorities designing their own local scheme. The result of this is that local authorities will have to fund this reduction (together with any further increases resulting from increases in the level of Council Tax, or from caseload changes) either from charging a proportion of Council Tax to previous recipients (excluding pensioners) or from cuts in other services, or a combination of both.

- 3.1.4. At the same time, authorities have been given the power to reduce or remove exemptions from Council Tax for uninhabitable or empty homes which previously received an automatic 100% exemption (for the first 12 months and 6 months respectively). Authorities can now also charge a 50% premium for long term empty unfurnished properties after two years. The previous minimum 10% discount for long term empty furnished homes can now also be removed. The additional revenue raised can be used to partly meet the reduction in central government funding.
- 3.1.5. Members agreed the new Council Tax Support scheme, and the changes to exemptions at the Special Council meeting on 10th December 2012. The effect of these decisions have to be applied to the tax base figure of 101,875 as per the return to the DCLG. The value of Council Tax Support to be granted for each band has to be converted in to full case equivalents and then deducted from the tax base figure. The reductions in exemptions have to be added back to the figure. The overall effect of this is to give an estimated adjusted tax base figure of 80,408.
- 3.1.6. This assumes 100% collection of council tax. In practice, councils collect less than 100% principally due to non-collection of council tax and changes in debits during the year. The council tax base set by the council takes account of likely collection rates, based on what is expected to be collected eventually, not just by the end of the financial year in question. Making an assumption for 2013/14 is made more complicated by the fact that over 22,000 households who have been receiving part or full CTB will now be required to pay amounts of Council Tax which they previously received benefit for. It is inevitable that this will have an adverse effect on the overall collection rate, but as there is no history of collection data to examine, for the first year at least a large element of assumption will have to be made as to the likely recovery levels.
- 3.1.7. Any adjustment to the tax base figure will have an effect on the precept from the GLA (i.e. if the tax base figure increases, then the precept from the GLA would increase accordingly – currently the GLA precept accounts for 22.6% of the total council tax bills in Brent).

3.2. Council Tax Collection Rate

- 3.2.1 Since 2001/02 the council's collection rate has been set at 97.5% as an assessment of the amount to be collected for the relevant year. For some years there is still a way to go to reach 97.5% (e.g. council tax collected by the end of November 2012 in respect of 2006/07 is 95.6%, 2007/08 is 96.8%, 2008/09 is 97.3%, 2009/10 is 98.0% 2010/11 is 98.1% and 2011/12 is 98.7%). Therefore up to 2008/09 the collection is still short of the 97.5% requirement. These percentages relate to the gross collectable debit used for the budget requirement. (i.e. before allowing for the losses in collection allowance). This is not the same as the collection percentage measured against the net collectable debit (as in 3.2.2. below), as this is affected by new assessments, exemptions discounts and Council Tax Benefit. The figures in recent years have been boosted by a large number of properties having come in to rating after the tax base figure for the year was calculated, thereby increasing the collectable figure. This has been repeated in 2012/13, but it cannot be assumed that this will be repeated in future years.
- 3.2.2 In-year collection levels have improved in recent years from 93.2% in 2006/07 to 94.6% in 2007/08, 94.7% in 2008/09 95.0% in 09/10, 95.6% in 10/11 and 96.0% in 2011/12.

By the end of November 2012, 76.0% of 2012/13 council tax had been collected, which is very similar to the equivalent figure of 75.8% at November 2011.

- 3.2.3 Therefore without the changes resulting from the recent Local Government Finance Bill, it would have been reasonable to assume a collection rate of 97.5%. However, as mentioned in 3.1.5. above, allowance now has to be made for the likely much higher non-collection rate from households formerly receiving CTB who will now have to pay part (or more) of their Council Tax bill. Although this will only account for about 5% of the overall Council Tax debit, an eventual collection of 70% for this group would bring the overall collection level down to 96.0%. Collection of 60% would bring the overall rate down to 95.45%, whilst a 75% recovery would bring the overall level to 96.3%
- 3.2.4 If an over-optimistic assumption of the achievable collection rate is made, at some later stage a deficit in the Collection Fund will have to be declared, resulting in the need to increase the level of Council Tax in that year. Alternatively if the assumed collection rate is exceeded, a surplus could be declared later on. For 2013/14 is considered prudent to assume a 70% collection rate for former CTB recipients, giving an overall eventual collection level of 96.0%. The Council's external auditors have paid close attention to collection assumptions in the past, and would be unlikely to accept an over-optimistic assumption for 2013/14.
- 3.2.5 It is therefore recommended that the Council Tax collection rate be set at 96.0%.

3.3 Setting the Council Tax Base

3.3.1 The tax base for 2013/14 is as follows:

- Band D equivalent properties on the return to the DCLG (attached as Appendix A = 101,875);

Less

- 22,651 (relating to reductions in bills which will be granted in 2013/14 under the agreed Council Tax Support Scheme

Plus

1,183 (relating to additional amounts raised from reducing exemptions for uninhabitable properties to 50%, removing all exemptions for empty properties, and by charging a premium of 50% on long term empties

multiplied by:

- The estimated rate of collection (96.0%)

3.3.2. This produces the following calculation:

$$(101,875 - 22,651 + 1,183) \times 96.0\% = 77,191$$

4 Financial Implications

4.1 These are included in the detail above

5. Legal Implications

5.1. The Council Tax Base is the equivalent number of Band D dwellings (after taking account of discounts and exemptions) which would raise the same amount of tax as the actual number of liable dwellings in the borough, with their actual spread of bands. The Band D equivalent total is then multiplied by the estimated collection rate for the year, to give the Council Tax Base figure. In the Council Tax calculation process to be undertaken at Full Council on 25th February 2013 this figure will be used to calculate the amount of tax to be levied for a Band D dwelling. The Council Tax level for each valuation band is then calculated by a fixed ratio which each band bears to the Band D figure. The Council's Constitution currently requires that the calculation of the Council Tax Base be carried out by the General Purposes Committee.

5.2 Section 11A of the 1992 Local Government Act enables the Secretary of State to designate by regulations:

- (i) Categories of properties in respect of which the discount available in respect of empty properties may be reduced to a percentage of at least 10% (section 11A(3)); and
- (ii) categories of properties in respect of which the discount may be reduced to any percentage or eliminated entirely (section 11A(4)).

In the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 the Secretary of State has designated furnished dwellings which are not the sole or main residence of an individual for the purposes of section 11A(3) (except caravan pitches and boat moorings) and unfurnished unoccupied properties for the purposes of section 11A(4).

Sections 11 and 12 of the Local Government Finance Act 2012 give billing authorities the discretion to vary the discounts applicable to specific classes of empty properties, second homes and long term empty properties from 1 April 2013 (as outlined above)

6. Diversity Implications

- 6.1. The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

7. Staffing Implications

- 7.1. None arising directly from this report.

8. Background Papers

Local Government Finance Act 1992.

Local Government Finance Act 2012

The Local Authorities (Calculation of Council Tax Base) Regulations 2012.

Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003

Council Tax Valuation List.

Anyone wishing to inspect the above documents should contact David Huberman, Finance Manager, Brent Financial Services, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD. Telephone 0208-937-1478.

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