



General Purposes Committee
25th January 2016

Report from the Chief Finance Officer

For Action

Wards Affected:
ALL

Calculation of Council Tax Base 2016/17

1. Summary

- 1.1 This report sets out council tax base calculations to be used for 2016/17. The level of council tax base set is used in the calculation of the council tax for 2016/17. 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 2016/17 is set at 97.50%.
- (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 2016/17 is set at 89,254.

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 22nd February 2016.
- 3.1.2. Under regulations issued in 1992, the calculation must be carried out by 31st January prior to the start of the financial year
- 3.1.3. The calculation is initially based on the council tax base return submitted to the Department of Communities and Local Government in October 2015, which is used in Government grant calculations. For 2016/17 the tax base used in grant calculations is 89,543 Band D equivalent properties. This is after

taking account of the level of Council Tax Support under the Council's current scheme.

- 3.1.4. This figure assumes 100% collection of council tax. In practice, actual amounts collected will vary principally due to non-collection of council tax and changes in the numbers of properties in the borough. The council tax base set by the council takes account of what is expected to be collected eventually, not just by the end of the financial year in question.
- 3.1.5. Any adjustment to the tax base figure will have an effect on the precept payable to 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 21.79% of the total council tax bills in Brent).

3.2. Council Tax Collection Rate

- 3.2.1 Between 2001/02 and 2012/13 the council's collection rate was set at 97.5% as an assessment of the amount to be collected for the relevant year. For 2013/14 this was reduced to 96% to take account of the anticipated impact of households formerly receiving council tax benefit who now have to pay at least part of their council tax bill. In practice the effect of this has been less than anticipated, and an assumption of 97.5% eventual collection is recommended for 2016/17. 96.50% had been assumed for 2015/16, but analysis of collection to date for 2013/14 and 2014/15 indicates that 97.5% will eventually be achievable (96.8% of the debit for 2013/14 has been collected to date, but collection of arrears will continue for several years, albeit at declining levels).
- 3.2.2 In-year collection levels have improved in recent years from 93.2% in 2006/07 to 95.9% in 2012/13 (arrears collection will continue for several years after the end of the financial year). For 2013/14, it had been anticipated that the introduction of Council Tax Support would have a significant impact on collection levels, but in fact the final collection figure was 95.7%. This was maintained in 2014/15 (95.6%) There was an increase in the collection level for full ratepayers, with a higher than expected level from those formally on Council Tax Benefit now having to pay a portion of their Council Tax bill. Therefore there is scope to increase the eventual collection assumption. It is possible that collecting arrears on former CTB cases may still be difficult, but it is recommended that the 96.5% collection assumption for 2015/16 be increased to 97.50% for 2016/17. This has the effect of increasing the Council Tax income assumption feeding in to the overall budget for the Council.
- 3.2.3 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 2016/17 it is considered realistic to assume an overall eventual collection level of 97.5%, as outlined above.

3.2.4. There are currently a number of sizeable new housing developments taking place which will result in a significant number of new properties coming in to rating. Some of these are for student accommodation which is exempt from Council Tax, but a reasonable estimate is that there will be an additional 2,000 properties over the next year. This can be added to the tax base calculation for 2016/17, as council tax will be due on these properties.

3.3 Setting the Council Tax Base

3.3.1 The tax base for 2016/17 is as follows:

Band D equivalent properties on the return to the DCLG (attached as Appendix A =89,543) + allowance for 2,000 new properties = 91,543

Multiplied by:

The estimated rate of collection (97.5%)

3.3.2. This produces the following calculation:

$$91,543 \times 97.5\% = 89,254$$

4 FINANCIAL IMPLICATIONS

4.1 The proposed council tax base for 2016/17 of 89,254 represents an increase of 6,455 over the figure for 2015/16. This will form part of the overall calculation of the Council's budget. The increase is due to a combination of factors: a significant reduction in the total claimed for Council Tax Support (which pushes up the taxbase figure) new properties coming in to rating (including the allowance for 2,000 additional properties in the next year), and the increase in the collection level assumption of 1.0%. It is unlikely that there will be a similarly large increase in subsequent years. The increase in the assumed collection percentage will be a one-off, and it is unlikely that CTS will fall much further.

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 22nd February 2016 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.

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 INFORMATION

Local Government Finance Act 2012
The Local Authorities (Calculation of Council Tax Base) Regulations 2012
Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003

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