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|  | <p style="text-align: center;">General Purposes Committee 25 January 2011</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p> |
| For Action | Wards Affected: ALL |
| <p style="text-align: center;">Calculation of Council Tax Base 2011/12</p> | |

1. Summary

- 1.1 This report sets out council tax base calculations to be used for 2011/12. The level of council tax base set is used in the calculation of the council tax for 2011/12. 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 2011/12 is set at 97.5%.
- (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 2011/12 is set at **97,252**.

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 1 March 2011. 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 based on the council tax base return submitted to the Department of Communities and Local Government in October 2010 (attached as Appendix A), which is used in Government grant calculations. For 2011/12 the tax base used in grant calculations is 99,486 Band D equivalent properties.

3.1.3 This tax base assumes 100% collection of council tax. In practice, councils collect less than 100% for a variety of reasons including non-collection of

council tax and changes to the council tax base 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.

- 3.1.4 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 more recent years there is still a considerable way to go to reach 97.5% ie council tax collected by the end of December 2010 in respect of 2006/07 is 95.4%, 2007/08 is 96.6%, 2008/09 is 96.9%, and 2009/10 is 97.8%. Therefore apart from 2009/10 the collection is still considerably short of the 97.5% requirement. These percentages relate to the percentage of the budget requirement rounded up to 100% (from the 97.5% collection assumption). This is not the same as the collection percentage measured against the net collectable debit (as in 3.2.3. below), as this is affected by new assessments, exemptions discounts and Council Tax Benefit. The 2009/10 figure is 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 to a lesser extent in 2010/11, 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 and 95.0% in 09/10. By the end of December 2010, 84.4% of 2010/11 council tax had been collected compared to an equivalent figure of 83.6% in 2009/10. Part of this increase is due to a large increase in the total figure of Council Tax Benefit awarded, which boosts the percentage recovery rate.
- 3.2.3 Levels of collection are not only affected by non-payment but also by changes to the collectable amount during the course of the financial year (and after). These changes are due to fluctuations in the number of single person households in receipt of a 25% discount (currently 37,483 properties) as well as exemptions and valuation reductions due to appeals. The total collectable has tended to fall during the course of most years, due to additional exemptions and discounts. There has been a considerable increase in 2009/10 and 2010/11 to date, due to new properties coming in to rating, but with the recession affecting new house building, this is less likely to happen in the near future.
- 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. 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 2011/12.

- 3.2.5 As a comparison with other London boroughs, the average collection rate used for tax base setting purposes for 2010/11 was 97.08%, with a range from 94.0% to 98.9%. Twelve boroughs set a collection rate higher than Brent, three the same and seventeen lower. This would indicate the 97.5% collection rate used in Brent is consistent with comparable London authorities.
- 3.2.6 It is therefore recommended that the Council Tax collection rate be set at 97.5%.

3.3 Discounts for Second Homes and Long-Term Empty Properties

- 3.3.1 Empty properties are fully exempt from council tax for six months. After this period they are classified as long-term empty.
- 3.3.2 Local authorities have the power to reduce the discount for long term empty furnished properties and second homes from 50% to 10%. For these properties, the Council can keep the additional income raised (shared with the GLA as preceptor). At full Council in January 2004, Members agreed to set the discount for these properties in Brent at 10%. The difference between the 50% discount assumed in the council tax base return for these properties and the 10% discount set by Members can be added to the overall council tax base. There are currently 611 such properties (650 Band D equivalent). The overall impact on the number of Band D equivalent properties in 2010/11 is to increase it by 260 (40% of 650)
- 3.3.3 For long term empty unfurnished properties, the discount can be reduced to zero, and this was agreed by full Council in January 2008. This is taken in to account in the DCLG tax base calculation.

3.4 Setting the Council Tax Base

3.4.1 The tax base for 2011/12 is as follows:

- Band D equivalent properties on the return to the DCLG (attached as Appendix A = 99,486);

Plus

- 260 (being the impact of adding back 40% of the value of second and long term empty furnished properties at Band D equivalent

multiplied by:

- The estimated rate of collection (97.5%)

3.4.2 This produces the following calculation:

$$(99,486 + 260) \times 97.5\% = 97,252$$

This compares to a figure of 96,457 in 2010/11. The increase of 795 (0.82%) is due to an increase of 722 in the number of dwellings on the valuation list, together with some changes in the numbers of exemptions and single person discounts.

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 1st March 2011 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).

5.3 The determination the Council made on 26th January 2004 to set the discount for second and long term empty properties at 10% was in accordance with these regulations. This Committee decided in January 2008 to remove the 10% discount for unfurnished unoccupied properties.

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 1992.

The Local Authorities (Calculation of Council Tax Base) Regulations 1992.

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.

CLIVE HEAPHY

Director of Finance and Corporate Services