



General Purposes Committee
21 January 2019

Report from the Chief Finance Officer

Calculation of Council Tax Base 2019/20

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	<p>Conrad Hall Chief Finance Officer Email: conrad.hall@brent.gov.uk Tel: 0208 937 6528</p> <p>Ravinder Jassar Head of Finance Email: ravinder.jassar@brent.gov.uk Tel: 0208 937 1487</p>

1.0 Purpose of the Report

1.1 This report is presented to enable the Council to fulfil its statutory role to set a Council Tax Base for 2018/19. The Local Government Finance Act (LGFA) 1992, as amended by the LGFA 2003 & LGFA 2012, requires the Authority to formally calculate the Council Tax Base for 2019/20 and pass this information to precepting authorities by 31 January 2019. The tax base must be set between 1 December 2018 and 31 January 2019.

2.0 Recommendations

2.1 Agree that the band D equivalent number of properties is calculated, as shown, in accordance with the Government regulations.

- 2.2 Agree that the collection rate for Council Tax for 2019/20 is set at 97.63%.
- 2.3 Subject to (2.1) and (2.2) above, a Council Tax Base for 2019/20 of 96,639 Band D equivalent properties be approved.

3.0 Tax Base

- 3.1 The calculation of the tax base is one of the technical stages in the process of setting the Council Tax, which is scheduled for the Council Meeting on 25 February 2019.
- 3.2 The Local Government Finance Act (LGFA) 1992, as amended by the LGFA 2003 & LGFA 2012, requires the Authority formally to calculate the Council Tax Base for 2019/20 and pass this information to precepting authorities by 31 January 2019. The tax base must be set between 1 December 2018 and 31 January 2019.
- 3.3 Brent, like all Local Authorities, has to work out how much next year's band D Council Tax should be so that the total tax that will be collected equals the budget required to pay for its services. To work out the band D tax, the budget requirement is divided by a figure called the Council Tax base, which is calculated in this report. In effect, the tax base represents the aggregate taxable value of all residential property in Brent. As well as Brent, the Greater London Authority also needs the tax base figure to work out how much they need to add on to Brent's Council Tax to pay for their services. This is formally known as their 'precept'.
- 3.4 The Council's 'number of taxable properties' has been calculated in accordance with relevant procedures and guidance for 2019/20. The calculation of the Tax Base has two parts:
 - (a) The number of taxable properties shown as 'band D equivalents' and
 - (b) The expected collection rate for the year.
- 3.5 The calculation method is set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended. For calculating the Tax Base, (and setting the Council Tax) properties in each of the eight valuation bands are given different weightings. These weightings are shown as a proportion of the band D value. These are shown below:

Band	A	B	C	D	E	F	G	H
Weighting	6/9	7/9	8/9	1	11/9	13/9	15/9	2

- 3.6 The calculation is primarily based on the Council Tax base return submitted to the Department of Communities and Local Government in October 2018, which is used in Government grant calculations. This sets out the factual number of Band D properties, after taking account of the level of Council Tax support. An estimate is also made for the growth in the tax base expected in 2019/20 arising

out of new housing developments in the borough.

- 3.7 Very strictly speaking, then, the Council Tax base for 2019/20 could be expressed as:
- The Band D equivalent properties as at 1 October 2018; plus
 - The estimated growth in Band D properties between 1 October 2018 and 31 March 2019 (as all of these properties will be liable for Council Tax in 2019/20); plus
 - Half of the estimated growth in Band D properties during 2019/20 (all of these properties will be liable for Council Tax in 2019/20 but as they will complete, on average, half-way through the year, only half of their tax raising potential should be taken into account).
- 3.8 The starting point of the Band D properties as at 31 October 2018 is known, and is 94,139. This is only 0.75% higher than the equivalent figure as at 31 October 2017, which would suggest that the rate of housebuilding growth in the borough is slowing down. However, the data from the council's planning department shows a large number of consented schemes likely to complete in 2019/20, and this general trend is also supported by new Council Tax registrations that are currently awaiting banding by the Valuation Office Agency. This will be reviewed during 2019/20 and if the new properties have at that time come on stream at a slower rate than expected then it may be prudent to adopt a lower rate of growth for 2020/21 to keep the collection fund in balance.

4.0 Council Tax Collection Rate

- 4.1 The figure for Band D properties then needs to be adjusted to reflect the fact that 100% collection of Council Tax is unlikely to be achieved. The Council Tax base set by the council takes account of what is eventually expected to be collected, not just by the end of the financial year in question. This is referred to as the lifetime collection rate.
- 4.2 Between 2001/02 and 2012/13 the council's lifetime 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 97.63% eventual collection is recommended for 2019/20, unchanged from 97.63% in 2018/19.
- 4.3 This recommendation is based on a historical analysis of collection rates. For example, the collection rate for the financial year 2013/14 as at October 2018 was 97.44% and in October 2017 it was 97.32%. If this trend were to continue it is likely that a collection rate beyond 97.63% could be achieved in two years' time.

Note: The "budgeted" collection rate differs from the "in year" collection rate. The budgeted collection rate is a lifetime collection rate and is based on all payments received after the year in which the Council Tax relates. The in year collection reflects payments actually received between 1st of April and 31 March of the year for which the Council Tax relates.

- 4.4 This does not mean that collection efforts will stop once the budgeted collection levels have been reached, or that eventual losses will necessarily be 2.37%. It is, however, essential that an adequate non-collection allowance be made each year. The Government recognises that no billing authority can collect every pound of Council Tax and that an element of collection will continue after the relevant year. The legislation provides for an allowance for non-collection to be incorporated into the calculation of the tax base.
- 4.5 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 subsequent years to recover the deficit. Alternatively if the assumed collection rate is exceeded, a surplus could be declared later on. For 2019/20 it is considered realistic to assume an overall eventual collection level of 97.63%, as outlined above.

5.0 Setting the Council Tax Base

- 5.1 Taking into accounts all of the considerations above, the calculation of the tax base for 2019/20 is proposed as follows:

Estimated Band D equivalent properties = 98,985

Multiplied by:

The estimated lifetime rate of collection (97.63%)

This produces the following calculation: $98,985 \times 97.63\% = 96,639$

6.0 Financial Implications

- 6.1 The proposed Council Tax base for 2019/20 is 96,639 and will form part of the overall calculation of the Council's budget that will be presented to Cabinet in February 2019.
- 6.2 There is a risk that should the actual tax base (for budget setting purposes) be less than the actual prevailing tax base in the borough (likewise for the assumed vs the actual collection rate), a deficit on the collection fund will have to be declared resulting in the need to increase the level of Council Tax in subsequent years. Alternatively if the assumed collection rate is exceeded, a surplus could be declared.

7.0 Legal Implications

- 7.1 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 25 February 2019 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.

- 7.2 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.

8.0 Equality Implications

- 8.1 None arising directly from this report

9.0 Consultation with Ward Members and Stakeholders

- 9.1 Not applicable for this report.

Report sign off:

CONRAD HALL
Chief Finance Officer