

**LONDON BOROUGH OF BRENT**

**Council Meeting - Monday 31<sup>st</sup> January 2005**

**Report from the Director of Finance**

For Action

Wards affected:  
ALL

**Report Title: CALCULATION OF COUNCIL TAX BASE 2005/2006**

**1. SUMMARY**

1.1 This report sets out Council Tax base calculations to be used for 2005/06. The level of Council Tax base set by Members is used in the calculation of the Council Tax for 2005/06. Regulations require that the Council Tax base is set by 31<sup>st</sup> 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 2005/06 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 2005/06 is set at **92,879**.

**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 Special Council Meeting on 28<sup>th</sup> February 2005. Under regulations issued in 1992, the calculation must be carried out by 31<sup>st</sup> 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 Office of the Deputy Prime Minister in November 2004 (attached as Appendix 1), which is used in Government grant calculations. For 2005/06, the tax base used in grant calculations is **94,657** 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.

## **3.2 Council Tax Collection Rate**

3.2.1 Assumed collection rates have varied in previous years. Members agreed collection rates of 95% in 1993/94, 97% in 1994/95, 99% in 1995/96, 98% from 1996/97 to 2000/01, and 97.5% from 2001/02 onwards. The estimated level of collection was reduced from 2001/02 because levels set for previous years were not being achieved.

3.2.2 The revised figure of 97.5% set in recent years is a more realistic assessment of the amount that is likely to be collected for the relevant year, although the Council has still not achieved this level of collection for previous years. For example, Council Tax collected by the end of December 2004 in respect of 2002/03 Council Tax is 95.3% and 2003/04 is 94.6%. Whilst further amounts are expected to be collected, and collection of arrears has improved – up from £3.02m in 2003/04 to an estimated £4.2m in 2004/05 - it is not expected that overall collection will exceed 97.5%.

3.2.3 For 2004/05, collection has improved. In year targets were set for CAPITA of 92% in 2003/04 and 93% in 2004/05. Whilst in year collection fell short in 2003/04 – with 90.6% of debts collected by 31 March 2004 – it looks more likely that the 93% target will be achieved in 2004/05. By the end of December 2004, 82.8% of 2004/05 debts had been collected compared to 81.0% of 2003/04 debts being collected by the end of December 2003.

3.2.4 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 (which receive a 25% discount) and empty properties, as well as valuation reductions due to appeals. The total collectable amount rose during the course of the 1993/94 year, but fell in most subsequent years. The collectable amount has risen during the course of 2004/05, but there may be a fall during the 2005/06 year, and this possibility needs to be taken in to account when setting the tax base.

3.2.5 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 that year. Largely due to the high assumptions used in previous years, a deficit of £1.5m was agreed by the Executive on 17<sup>th</sup> January 2004. 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 2005/06.

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 Local authorities have the power to reduce the discount for second homes and long term empty furnished properties from 50% to 10%. For these properties, the Council can keep the additional income raised (shared with the GLA as preceptor).

3.3.2 For long term empty unfurnished properties, the discount can be reduced to zero, but government grant is reduced accordingly, by a notional amount per property. The current discount of 10% on long term empty unfurnished homes has been taken into account in the council tax base return to ODPM (Appendix A), and is reflected in the Government's calculation of Revenue Support Grant for Brent in 2005/06.

3.3.3 At full Council on 26<sup>th</sup> January 2004, Members agreed to set the discount for second and long term empty properties in Brent at 10%. The difference between the 50% discount assumed in the council tax base return for second and long term empty furnished properties and the 10% discount set by Members can be added to the overall council tax base. The overall impact on the number of Band D equivalent properties in 2005/06 is to increase it by **604** (40% of 1,509), which is equivalent to £689,000 at 2004/05 Band D levels.

### **3.4 Setting the Council Tax Base**

3.4.1 The tax base for 2005/06 is as follows:

- Band D equivalent properties on the return to the ODPM (attached as Appendix A);  
plus
- The impact of the 10% discount on second and long term empty furnished properties on the number of Band D equivalent properties;  
multiplied by:
- the estimated rate of collection.

3.4.2 This produces the following calculation:

$$(94,657 + 604) \times 97.5\% = 92,879$$

This compares to a figure of 92,643 in 2004/05.

## **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 28<sup>th</sup> February 2005, 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 Full Council.
- 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 26<sup>th</sup> January 2004 to set the discount for second and long term empty properties at 10% was in accordance with these regulations.

## **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.

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