

	<p>General Purposes Committee 12th January 2009</p> <p>Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: None
<p>Calculation of Council Tax Base 2009/2010</p>	

1. SUMMARY

- 1.1 This report sets out Council Tax Base calculations to be used in the calculation of the Council Tax for 2009/10. 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 Council Tax for 2008/09 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 2009/010 is set at **95,279**

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 2nd March 2009. 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 (CTB) return submitted to Communities and Local Government in October 2008 (attached as Appendix A). For 2009/10 the tax base in the CTB return is **97,410** 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 23% of the total Council Tax bill in Brent).

3.2 Council Tax Collection Rate

- 3.2.1 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. Whilst rates for the late 1990's are approaching 97%, little is now being collected for these years, and rates for earlier years were lower. For more recent years collection rates still fall short of 97.5%, although more will be collected in future years. For example, Council Tax collected by the end of November 2008 in respect of 2003/04 Council Tax is 95.0%, 2004/05 is 95.6%, 2005/06 is 96.2%, 2006/07 is 95.0%, and 2007/08 is 96.4%. Whilst further amounts will be collected over several years, it is not expected that overall collection will exceed 97.5%.
- 3.2.3 Collection levels have improved in recent years. In year collection¹ rose from 89.5% in 2002/03 to 90.6% in 2003/04, 92.7% in 2004/05 and 2005/06, 93.2% in 2006/07, and 94.6% in 2007/08. By the end of November 2008, 74.9% of 2008/09 debts had been collected compared to 74.2% of 2007/08 debts being collected by the equivalent time last year. It is expected that the final figure for in-year collection will be an improvement over last year's which was itself the council's best ever in-year collection rate and placed the council amongst the top 5 improvers on Council Tax collection in the country. Members should also however note that potential collection in future years is also relevant to the calculation of the collection rate and that the level of arrears collection has fallen in 2008/09.
- 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 exemptions, as well as valuation reductions due to appeals. The total collectable amount has tended

¹ In-year collection is the percentage of debts collected by the end of the financial year in question.

to fall during the course of most years, due to additional exemptions and discounts, and this possibility needs to be taken into 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 the next year. For example, the Executive has agreed an estimated deficit in the Collection Fund of £1.5m at 31st March 2009, reflecting past under-collection against target collection rates, and this will need to be taken into account in the calculation of Council Tax for 2009/10. In addition, 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 2009/10.
- 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 on 26th 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 750 such properties (779 Band D equivalent). The overall impact of this is to add 312 (40% of 779) Band D equivalent properties to the Council Tax Base reported to Communities and Local Government.
- 3.3.3 For long term empty unfurnished properties, the council has the discretion to set the discount at zero, and this was agreed by Full Council at its meeting on 21st January 2008. This is taken into account in the Council Tax Base reported to CLG and therefore no further adjustment is required.

3.4 Setting the Council Tax Base

- 3.4.1 The proposed tax base for 2009/10 is as follows:
- Band D equivalent properties on the return to the CLG (attached as Appendix A = 97,410);
- Plus
- 312 (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:

$$(97,410 + 312) \times 97.5\% = 95,279$$

This compares to a figure of 94,585 in 2008/09. The increase of 694 is due to an increase of 872 in the number of dwellings on the valuation list, which has been partly offset by a small increase in the number of exemptions and 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 2nd March 2009, 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 Finance 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 determinations made by the Council on 26th January 2004 to set the discount for second and long term empty properties at 10% and on 21st

January 2008 to set the discount at zero for empty unfurnished unoccupied dwellings were 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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