

**SUPPLEMENTARY 1**

**THE EXECUTIVE**

**Tuesday, 16 December 2008**

**Agenda Item 13. Calculation and Setting of the Council Tax Base  
2009/10 (Pages 1 - 12)**

**Agenda Item 14. Local Land Charges Fees (Pages 13 - 15)**

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**THE EXECUTIVE**

**16 DECEMBER 2008**

**JOINT REPORT OF THE CORPORATE DIRECTOR OF RESOURCES AND  
CORPORATE DIRECTOR OF CUSTOMER SERVICES**

This report is submitted under Agenda Item 13. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order for the Council to meet its statutory obligations in respect of setting the Annual Council Tax Base.

<b>Title: Calculation and Setting of the Council Tax Base 2009/2010</b>	<b>For Decision</b>
<p><b>Summary:</b></p> <p>This report sets out the calculation of the Council Tax Base for 2009/10 and provides information on powers available to the Council to reduce discounts for second homes and long term empty properties, and to award locally determined discounts. Information is also provided on powers available to the Council to offer discounts for prompt payment, where bills are paid immediately in full without the need for an instalment plan.</p> <p><b>Wards Affected:</b> All</p>	
<p><b>Recommendation(s)</b></p> <p>The Executive is asked to recommend the Assembly:</p> <ol style="list-style-type: none"> <li>1. That in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the amount calculated by the London Borough of Barking and Dagenham Council as its Tax Base for the year 2009/10 shall be 51,527.5 Band 'D' properties;</li> <li>2. That the discount for short and long term empty properties and second homes continues to be set at 10%;</li> <li>3. That no locally determined discounts based on categories of property or occupier be awarded for 2009/10 onwards; and</li> <li>4. That the award of reductions for prompt payment be reconsidered for possible implementation for 2010/11.</li> </ol>	
<p><b>Reason(s):</b></p> <p>In order to assist the Council achieve all of its Community Priorities, to comply with statute and assist in the calculation of the Authority's Council Tax for 2009/10.</p>	
<p><b>Implications:</b></p> <p><b>Financial:</b></p> <p>The financial implications are set out in Appendix A to this report (Calculation of Tax Base)</p>	

**Legal:**

The legal context and implications are summarised within sections 1 - 3 of this report.

**Comments of the Legal Partner:** The Legal Partner has been consulted in the preparation of this report and has nothing to add to the legal requirements and implications for setting the Authority's council tax base for 2009/10 set out in this report.

**Risk Management:**

Conservative financial estimates have been made when taking into account the effects of each of the recommendations in this report. This approach will enable the Council to better manage any risks associated with each recommendation.

**Social Inclusion and Diversity:**

The Race Relations (Amendment) Act 2000 places a requirement on local authorities to make an assessment of the impact of new and revised policies in terms of race equality. Existing policies have already been subjected to impact assessments. This Authority has adopted an approach of extending the impact to cover gender, disability, sexuality, faith, age and community cohesion.

As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.

**Crime and Disorder:**

Section 17 of the Crime and Disorder Act 1998 places a responsibility on local authorities to consider the crime and disorder implications of any proposals. In relation to this report

There are no specific implications insofar as this report is concerned.

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**1. Statutory Background**

- 1.1 The Council has a duty to set a Tax Base for Council Tax purposes by 31<sup>st</sup> January each year under Section 67 of the Local Government Finance Act 1992. The setting of the tax base can be delegated to the Chief Financial Officer under the powers contained in Section 84 of the Local Government Act 2003 but the Assembly has previously chosen to retain authority to agree the Tax Base on an annual basis.
- 1.2 The Tax Base must be conveyed to the major precepting Authorities by 31st January prior to the start of the financial year.

- 1.3 The Tax Base must be calculated in accordance with regulations made by the Secretary of State under Section 33(5) of the Local Government Finance Act 1992. i.e. The Local Authorities (Calculation of Tax Base) Regulations 1992.
- 1.4 The regulations set a relevant date for the calculation of the tax, which for 2009/10 is 1<sup>st</sup> December 2008. The data used in the calculation must be that held on the Council Tax records at that date.
- 1.5 Appendix A sets out the Calculation of Tax Base.

## **2. Discretionary Powers within the Regulations**

- 2.1 The Local Government Act 2003 gave the Council discretion to vary certain discounts that were previously prescribed. The powers, which came into force for the 2004/05 financial year, are to:
  - Reduce the 50% discount on second homes to as little as 10%
  - Reduce, or remove entirely, the 50% discount for properties that have been empty for more than six months
  - Award 'locally determined discounts' of up to 100%, determined by categories of properties or persons, or on a case by case basis.
- 2.2 In addition to the above, the Council also has discretion to award reductions for prompt payment and non-cash payments.
- 2.3 At this time last year the Council had carried out a detailed review of all of the local discretions allowable under the regulations and following recommendations by the Executive, the assembly in January 2008 agreed that some of these discretions be enacted from 2008/9 onward. These included a reduction in discount for second homes from 50% to 10% and a reduction in discount for long term empty properties from 50% to 10%
- 2.4 The Assembly also agreed in January 2008 that no locally determined discounts based on category of property or occupier be awarded for 2008/9. It is now necessary to consider again this point as the decision was made for one year only.
- 2.5 The Assembly also decided in January 2008 not to award any reductions for the prompt payment of Council Tax (in full). This is a decision that must be made prior to the start of the financial year.
- 2.6 Members or officers involved in making a decision under new or existing regulations, should give consideration as to whether they need to declare an interest or abstain from the decision making process if they would directly benefit from a decision.

## **3. Locally Determined Discounts**

- 3.1 The Local Government Act 2003 gave the Council the power to award locally determined discounts. Such discounts can be for any amount up to 100% of the Council Tax charge and can be set by reference to the category of property, or occupier, or on a case by case basis.

- 3.2 The Government has given an example of how it anticipated the new power could be used by local Councils. This was to allow a discount of anywhere up to a 100% where a person was unable to live in their property for a temporary period due to circumstances outside their control, for example a natural disaster such as flooding.
- 3.3 There was considerable publicity prior to April 2004 around the possibility of Councils awarding discounts to categories of disadvantaged customers, with pensioners being highlighted as one possible group to receive discounts. In practice, very few authorities award discounts to pensioners, due to the possibility of legal challenges from other disadvantaged groups.
- 3.4 Since this type of discount will be set locally, the full cost of the discount would be borne by local tax payers, so effectively the overall level of Council Tax will need to be increased to offset the cost of any discounts.
- 3.5 In addition to the element of the Council Tax for the Council, there is also a precept from the Greater London Authority (GLA). For 2008/9 this precept made up approx 23% of a band D bill and any local discount will also apply to the GLA element of the bill. However, the local discounts can not be reflected in the tax base that is provided to the GLA in order to calculate its precepts. This means that local taxpayers who do not get a discount will also be required to fund the shortfall to the GLA resulting from local discounts (i.e. everyone else would have to pay more).
- 3.6 It is proposed that no locally determined discounts based on categories of property or occupier be awarded for 2009/10 onwards.

#### **4.0 The Award of Reductions for Prompt Payment and Non-Cash Payments**

- 4.1 During August and September of 2006, a postal survey covering budget consultation issues (including Council Tax issues), was carried out amongst a random sample of local residents. Three quarters of respondents indicated that they would be fairly interested in paying their Council Tax in one lump sum payment before the end of May each year in return for a discount.
- 4.2 Under reg.25 of the Council Tax Administration and Enforcement Regulations, a billing authority may set a resolution on or before the date that the Council Tax is set, that will allow a scheme to be run which would allow Council Tax payers to receive a discount for paying their Council Tax by a specified date / day, in one lump sum.
- 4.3 LBBD has not previously operated such a scheme. Some investigation and research into the options that exist, together with the approaches taken by other Councils, has now taken place. Last year, officers reported that given the current level of functionality available with our new systems, the ability to offer customers a reduction / discount for prompt payment is now possible.
- 4.4 However, since the survey referred to in 4.1 above, there has been a significant downward shift in the financial climate and it is unlikely that there will be a similar appetite as expressed in the 2006 survey for such a scheme. Given the recent reduction to the base rate, discount levels would have to be high enough to provide some level of benefit / incentive for customers, without creating any negative financial impact for the Council as a whole. The typical level of discount offered by

those Authorities participating in such schemes is between 1.4% and 2%. Careful consideration would have to be given to the level of discount allowable. However, at this time of volatile interest rates it is not possible to calculate an appropriate discount level that could be guaranteed to not significantly disadvantage the Council or appropriately incentivise the Council Tax payer. It is proposed that this matter be revisited next year, when more stable economic conditions may exist.

## **5. Consultees**

5.1 The following were consulted in the preparation of this report:

- Joe Chesterton – Divisional Director of Corporate Finance
- Nina Clark – Divisional Director, Legal & Democratic Services
- Yinka Owa - Legal Partner & Deputy Monitoring Officer

## **Appendices**

A. Detailed calculation of the 2009/10 tax base as at 1<sup>st</sup> December 2008

## **Background Papers**

Council Tax CTB1 return for 2009/10.

## Calculation of Tax Base

### 1. Calculation of Tax Base

- 1.1 The valuation of properties for Council Tax purposes is carried out by the Valuation Office Agency.
- 1.2 For Council Tax purposes each property is placed in a band based on its open market value as at 1<sup>st</sup> April 1991. The bands are as follows: -

Range of Values Band	Valuation
Values not exceeding £40,000	<b>A</b>
Values exceeding £40,000 but not exceeding £52,000	<b>B</b>
Values exceeding £52,000 but not exceeding £68,000	<b>C</b>
Values exceeding £68,000 but not exceeding £88,000	<b>D</b>
Values exceeding £88,000 but not exceeding £120,000	<b>E</b>
Values exceeding £120,000 but not exceeding £160,000	<b>F</b>
Values exceeding £160,000 but not exceeding £320,000	<b>G</b>
Values exceeding £320,000	<b>H</b>

- 1.3 The Tax Base is calculated in terms of the equivalent number of Band 'D' properties after discounts and exemptions have been taken into account. There are statutory ratios which determine the proportion of the band D charge that will be charged for a property in each band. The ratios are as follows:

A = 6/9ths	E = 11/9ths
B = 7/9ths	F = 13/9ths
C = 8/9ths	G = 15/9ths
D = 1	H = 18/9ths

- 1.4 The standard Council Tax is set in relation to Band 'D' properties, this will mean that somebody living in a Band 'A' property pays 2/3rds of the standard amount whilst somebody in a Band 'H' property pays twice the standard amount.
- 1.5 The full Council Tax charge is based on the assumption that the property is occupied by two or more adults. However, some properties are exempt from any charge, and others qualify for a discount. In determining the Tax Base the following discounts and exemptions are taken into account: -

#### a) Single Person Discount

Where only one adult lives in the property the Council Tax bill for that property is reduced by 25%.

#### b) Status Discounts

For the purpose of determining the number of adults living in the property certain categories of people are not taken into account. Examples include:

- Full time students and student nurses



- Recent school leavers
- People with severe mentally impairment
- People living in a nursing or care home
- Certain care workers
- People in prison

Where the number of adults to be counted after allowing these discounts is one, a 25% discount is allowed. Where the number of adults is nil a 50% discount is allowed.

### **c) Empty Properties**

Properties that are unoccupied, but not exempt, are currently entitled to a statutory 50% discount. If all of the recommendations of this report are agreed, the new reduced level of discount available on empty properties would be just 10%.

### **d) Exemptions**

There are 23 categories of property which are exempt. The main exemptions that apply in Barking and Dagenham are:

- Unoccupied properties (for the first six months they are unoccupied)
- Properties undergoing major repairs
- Properties left unoccupied because the occupier has died
- Properties occupied only by full time students
- Properties occupied only by people with severe mental impairment

### **e) Reductions for People with Disabilities**

Under certain circumstances, a property that is the home of a person with a disability is charged at the rate for the band below that which would normally be charged. For properties in band A the charge is reduced by 1/9<sup>th</sup> of the band D charge.

- 1.6 The Council was required to make a return to the Office of the Deputy Prime Minister by the 24<sup>th</sup> October 2008, setting out the number of properties in each valuation band based on the valuation list on the 15th September 2008, together with the number of discounts and exemptions as recorded on the Council's database on the 6<sup>th</sup> October 2008. The tax base shown on this return was 53,473.7 band D equivalent properties.
- 1.7 For the purposes of setting the tax base for calculating the Council Tax, the information to be used is that recorded in the valuation list and the Council Tax records as at 1<sup>st</sup> December 2008. The number of band D equivalents for each property band at that date is shown below with a comparison to the figures at the time the tax base was set for 2008/09.

2008/09		Band	2009/10	
Last Year Totals	Band 'D' Equivalents		Total	Band 'D' Equivalent
4.50	2.5	A*	4.50	2.5
5,710.00	3,806.7	A	5,562.45	3,708.3
8,555.20	6,654.0	B	8,725.95	6,786.9
36,600.15	32,533.5	C	37,172.50	33,042.1
7,316.35	7,316.4	D	7,375.95	7,376.0
1,534.25	1,875.2	E	1,522.40	1,860.7
304.80	440.3	F	306.45	442.7
40.80	68.0	G	38.90	64.8
6.05	12.1	H	6.70	13.4
<b>60,072.10</b>	<b>52,708.7</b>		<b>60,715.80</b>	<b>53,297.4</b>

\*Disabled person's reductions

## 2. Adjustments

2.1 When determining the tax base for the purpose of setting the Council Tax an allowance must be made for a number of factors such as:

- New properties expected to be completed
- Properties expected to be demolished
- Anticipated change to the number of discounts and exemptions
- An allowance for non-collection

2.2 For 2008/09, adjustments are required in respect of new properties, changes to exemptions and discounts, and the allowance for losses on collection. The adjustments, expressed as band D equivalents, are shown below.

Basic tax base at 01 <sup>st</sup> December 2008	53,297.4
Anticipated effect of new properties	+89.8
Anticipated effect of changes to discounts and exemptions	0
Adjustment for anticipated demolitions	-266.1
	<hr/>
	53,121.1
Losses on collection allowance at 3.0%	-1,593.6
<b>Final Tax Base for 2009/10</b>	<hr/> <b>51,527.5</b>

2.3 The losses on collection allowance for 2009/10 has been assessed as 3.0% which is the same as the previous year.

2.4 When compared to the Tax Base for 2008/09 of 50,660.8, there has been an increase equivalent to 866.7 band D properties (1.71% of the Tax Base).

2.5 Predictions of the change to the tax base over the course of 2009/10 have proved difficult for several reasons. Current economic trends indicate a slower rate of building new properties in 2009/10 compared to the previous year. This is influenced to a large extent by the current state of the housing market, which is

facing a major slump. There have been some signs of this in the slowdown of the house price market, the volatility in interest rates to try and kick start the economy and the recession.

### **3. Single Person Discount**

- 3.1 Discounts are routinely reviewed by virtue of changes to people's circumstances (i.e. people moving within the Borough, new and reviewed HB claims, information supplied by occupiers and third parties etc.). In addition to the above, it is common practice to carry out a periodic review of all categories of discounts across the whole database. A periodic review is planned for January 2008.
- 3.2 This will cover a review of discounts within bands A & B and could have the effect of further reducing the total number of discounts shown on the Council Tax register. However, it is expected that this will be counter balanced by the increasing number of single households within the borough. Predicting the exact amount of shift that will be caused by the review will be difficult, because a significant amount of time has passed since the last formal review of discounts in these bands took place.

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	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Totals	
Line 1	0	7076	10570	42618	8182	1671	325	44	20	70506
Line 2	0	379	521	1177	158	26	5	3	0	2269
Line 3	0	0	0	0	0	0	0	0	0	0
Line 4	0	6697	10049	41441	8024	1645	320	41	20	68237
Line 5	0	5	16	187	62	20	4	6	12	312
Line 6	5	16	187	62	20	4	6	12	0	312
Line 7	5	6708	10220	41316	7982	1629	322	47	8	68237
Line 8	2	4373	5626	15588	2205	388	45	2	0	28229
Line 9	0	58	143	570	118	14	2	0	0	905
Line 10	0	2	2	12	8	3	6	14	2	49
Line 11	0	30	58	146	33	7	1	1	0	276
Line 12	0	0	0	0	0	0	0	0	0	0
Line 13	0	32	60	158	41	10	7	15	2	325
Line 14	0	0	0	0	0	0	0	0	0	0
Line 15	0	218	218	250	48	11	3	1	3	752
Line 16	3	2027	4173	24750	5570	1206	265	29	3	38026
Line 17	4.50	5562.45	8725.95	37172.50	7375.95	1522.40	306.45	38.90	6.70	60715.80
Line 18	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Line 19	2.5	3708.3	6786.9	33042.2	7376.0	1860.7	442.7	64.8	13.4	53297.4
	0	0	0	0	0	0	0	0	0	0

Tax base for Revenue Support Grant purposes [ to 1 decimal place ] **53297.4**

**Estimates of new properties etc due to affect the tax base**

New properties expected to be completed before 31st March 2009. 116 Band B properties and ALL properties estimated to benefit from a single person discount.

A 0 0 0 87 0 0 0 0 0 0 0 0 0 0 0

New properties expected to be completed before 31st March 2010 10 \* Band B + 42 \* Band C + 3 \* Band D Allow 50% allowance for completion mid year and 1 in 3 properties estimated to benefit from a single person discount Total estimate of new properties

B 0 0 0 4.5 19.25 1.5 0 0 0 0 0 0 0 0 0

Ratio to Band D

5/9 6/9 7/9 8/9 9/9 11/9 13/9 15/9 18/9 0.00 0.00 71.17 17.11 0.00 0.00 0.00 0.00 0.00 89.8

Estimated demolished properties in 2009-2010. 345 properties. 20 Band A and 325 Band B. Demolition by April 2009.

C 0 20.00 325 0 0 0 0 0 0 0 0 0 0 0 0

Ratio to Band D

5/9 6/9 7/9 8/9 9/9 11/9 13/9 15/9 18/9 0.00 13.33 252.78 0.00 0.00 0.00 0.00 0.00 0.00 266.1

Changes to discounts and exemptions deemed to be zero change in 2009-2010

D 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

Revised figures for 2009-2010 taking into account line 19 figures and estimated new and demolished properties

**53121.1**

Tax base for Revenue Support Grant purposes [ to 1 decimal place ]

**53121.1**

Adjustment for losses on collection @ 3%

1,593.60

Tax Base for purpose of setting Council Tax after allowing for losses on collection of 3%

51,527.50

**EXECUTIVE****16 DECEMBER 2008****REPORT OF THE CORPORATE DIRECTOR OF REGENERATION**

The Chair will be asked to determine whether this report can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order that the authority can meet its statutory obligations.

<b>Title: Local Land Charges Fees</b>	<b>For Decision</b>
<p><b>Summary:</b></p> <p>The Local Authorities (England) (Charges for Property Searches) Regulations 2008 oblige all local Authorities to set the level of fees which they levy for personal searches on a cost recovery basis and to enact the regulations within 7 days of being passed into law. The Statutory Instrument was laid before Parliament on 10 November 2008 and is expected to be ratified before the end of December 2008. Currently all changes to fees have to be approved by the Executive, which would not be practicable under the new legislative regime, due to the time constraints involved and the need to react quickly to a changing housing market. It is therefore proposed that authority to approve all Land Charge Property Search fees be delegated to the Corporate Director in consultation with the Divisional Director of Corporate Finance in order to expedite the process. The CON 29 search fees are already dealt with in this manner.</p> <p><b>Wards Affected All</b></p>	
<p><b>Recommendation(s)</b></p> <p>The Executive is recommended to agree to:</p> <ol style="list-style-type: none"> <li>1. Delegate authority to set all applicable fees for Land Charges activities to the Corporate Director of Regeneration, in consultation with the Divisional Director of Corporate Finance.</li> </ol>	
<p><b>Reason(s)</b></p> <p>To assist the Council to meet its statutory obligations.</p>	
<p><b>Implications:</b></p> <p><b>Financial:</b> There are no additional costs arising from this recommendation. Where changes in fees are proposed to meet statutory requirements the financial impact will be assessed at this stage. If this results in a loss of income this will be reported through the budget monitoring process. .</p> <p><b>Legal:</b> It is necessary to have the ability to change fees quickly as a requirement under the Local Authorities (England) (Charges for Property Searches) Regulations 2008. Statutory</p>	

instrument 2909 laid before Parliament 10 Nov 2008.

If we do not comply with the legislation the Council will not maximise its income from LLC and also could leave us open to legal challenge.

**Risk Management:**

Income Loss -Failure to agree the new fees promptly would result in the authority being unable to maximise its Local Land Charges income.

Legal Challenge – Failure to comply with the “cost of service fee recovery” guidance may expose the authority to legal challenge (Judicial Review) imposed fee reduction/customer refunds and adverse media publicity.

**Social Inclusion and Diversity:**

No specific implications

**Crime and Disorder:**

No specific implications

**Options Appraisal:**

Not applicable statutory requirement.

<b>Contact Officer:</b> Tim Lewis	<b>Title:</b> Group Manager Development & Building Control & Local Land Charges	<b>Contact Details:</b> Tel: 020 8227 3706 Fax: 020 8227 3916 E-mail: <a href="mailto:tim.lewis@lbbd.gov.uk">tim.lewis@lbbd.gov.uk</a>
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**1. Introduction and Background**

- 1.1 The Local Land Charges service provides a statutory function by supplying information on land or property to both Solicitors and Personal Search agents involved in the buying or re-mortgaging of property within the borough. The service comprises several separate search elements each of which is supplied at a different price.
- 1.2 Section 6 of the Local Authorities (England) (Charges for Property Searches) Regulations 2008 introduces new regulations with respect to the way that the level of fees for property searches can be calculated. These regulations are expected to come into force before the end of December 2008 and LPA's will be expected to comply within 7 days. Under the Local Land Charges Act 1975, Section 13A (6) & (7) new fees cannot be legally charged unless and until they have been published, specifying the new fee and the date from which it becomes payable.

**2. Current Position**

- 2.1 The setting of CON 29 land charge fees are currently delegated to the Corporate Director of Resources in consultation with the Divisional Director of Finance but LLC1 land charge fees are still the responsibility of the Executive. In order to react to the changing property market it is essential that we are able to react to the upcoming legislation, which gives very short timescales.



### **3. Consultees**

- 3.1 Alex Anderson – Group manager Corporate Finance (Regeneration)  
Yinka Owa – Legal Partner

#### **Background Papers Used in the Preparation of the Report:**

- Statutory Instrument 2909

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