

## CABINET

22 January 2019

<b>Title:</b> Calculation and Setting of the Council Tax Base for 2019/20	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
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<b>Summary</b>  The Council has a duty to set a Tax Base for Council Tax purposes by 31 January each year under Section 67 of the Local Government Finance Act 1992.  This report seeks approval of the Authority's Council Tax Base for 2019/20. It also asks for approval to charge a higher rate premium for long term empty dwellings.	
<b>Recommendation(s)</b>  The Cabinet is recommended to:  (i) Agree that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking and Dagenham Council as its Tax Base for the year 2019/20 shall be 50,008.54 Band 'D' properties; and  (ii) Agree the higher rate premiums for long term empty dwellings as detailed in paragraph 4.2 of the report, to be charged to homes unoccupied and substantially unfurnished for at least two years and to be in addition to the usual Council Tax charge applied to the property.	
<b>Reason(s)</b>  To meet the Council's statutory duties under the Local Government Finance Act 1992.	

### 1. Introduction and Background

- 1.1 The Tax Base must be conveyed to the major precepting Authorities by 31 January prior to the start of the financial year.

- 1.2 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 and The Local Authorities (Calculation of Tax Base) (England) Regulations 2012.
- 1.3 The regulations set a prescribed period for the calculation of the tax, which is between the 1 December and 31 January in the financial year preceding that for which the calculation of the council tax base is made. The data used in the calculation must be that held by the Council as at 30 November.

## 2. Proposal and Issues

- 2.1 The valuation of properties for Council Tax purposes is carried out by the Valuation Office Agency.
- 2.2 For Council Tax purposes each property is placed in a band based on its open market value as at 1 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>

- 2.3 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

- 2.4 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.
- 2.5 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 relevant discounts and exemptions are taken into account:

- 2.6 The following table shows the number of chargeable properties at 30 November after all discounts and exemptions have been applied.

2018/19			2019/20	
Last Year Totals	Band 'D' Equivalents	Band	Total	Band 'D' Equivalent
0.19	0.10	A*	0.19	0.10
3,776.06	2,517.38	A	3,752.88	2,501.90
7,870.36	6,121.39	B	8,077.29	6,282.30
35,461.07	31,520.95	C	36,264.32	32,235.00
7,960.13	7,960.13	D	8,130.39	8,130.40
1,525.21	1,864.15	E	1,539.79	1,882.00
304.77	440.23	F	310.11	447.90
40.29	67.15	G	40.54	67.60
3.00	6.00	H	4.00	8.00
<b>56,941.08</b>	<b>50,497.47</b>		<b>58,119.51</b>	<b>51,555.20</b>

\*Disabled person's reductions

- 2.7 When determining the tax base for the purpose of setting the Council Tax an allowance has been made for non-collection. The losses on collection allowance for 2019/20 has been assessed as 3%.
- 2.8 The adjustment, expressed as band D equivalents, is shown below.

Band D equivalent at 30 November 2018	51,555.20
In year losses in collection allowance of 3%	(1,546.66)
<b>Council Tax Base for 2019/20</b>	<b>50,008.54</b>

- 2.9 A fully detailed calculation of the tax base is contained in Appendix A.

### 3. Consultation

- 3.1 The calculation of the council tax base follows a prescribed process and, as such, does not require consultation.

### 4. Higher rate of Empty Homes Premium (Council Tax)

- 4.1 Since 2013, local authorities have had discretion to charge a premium of up to 50% on "long term empty dwellings". That is, homes that have been unoccupied and

substantially unfurnished for at least two years. The premium is in addition to the usual council tax charge that applied to the property.

4.2 New legislation has been passed that allows local authorities to increase the premium as follows:

- i) For the financial year beginning 1 April 2019 the relevant maximum is 100%.
- ii) For the financial year beginning 1 April 2020 the relevant maximum is 100% if property is empty for less than 5 years.
- iii) For the financial year beginning 1 April 2020 the relevant maximum is 200% if the property is empty for more than 5 years.
- iv) For the financial year beginning 1 April 2021 the relevant maximum remains at 100% if the property is empty for less than 5 years.
- v) For the financial year beginning 1 April 2021 the relevant maximum remains at 200% if the property is empty for more than 5 years and less than 10 years.
- vi) For the financial year beginning 1 April 2021 the relevant maximum will be 300% if the property is empty for more than 10 years.

## **5. Financial Implications**

Implications completed by: Katherine Heffernan, Group Manager, Service Finance

- 5.1 The Council Tax Base has increased by 1226.23 band D equivalent properties from 2018/19 (48,782.31). At the current Council Tax charge of £1,199.63 this would generate an additional £1.5m of income for the Council compared to the previous year.
- 5.2 The latest MTFs had assumed an increase in the Council Tax base of 2.03%. The actual increase in the Council Tax base for 2019/20 is 2.51%, which generates an additional £0.3m over and above the latest MTFs assumptions for 2019/20.
- 5.3 The Council Tax collection rate is a significant factor in determining the level of income and will affect the actual amount of Council Tax collected in 2019/20. For every 1% change in the collection rate, income would increase/decrease by £0.6m for the Council.
- 5.4 There are currently 40 properties that are being charged the long-term empty premium. The total premium being charged is £25,810 for 2018/19. The table below shows the increase in the amount of premium charged under the new legislation. This is based on 40 properties and does not take into account increases or decreases in the number of empty properties or any future increases in council tax.

Age	2019/20			2020/21			2021/22		
	Premium %	Number of properties	Premium	Premium %	Number of properties	Premium	Premium %	Number of properties	Premium
2-5 years	100%	15	£19,918	100%	15	£19,918	100%	15	£19,918
5-10 years	100%	16	£20,582	200%	16	£41,164	200%	16	£41,164
Over 10 years	100%	9	£11,121	200%	9	£22,242	300%	9	£33,363
		40	£51,621		40	£83,324		40	£94,445

## 6. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Corporate Governance Solicitor

- 6.1 As observed above there is a legal requirement that the Council as a billing authority must set its Council Tax base before 31 January 2019 for the following financial year starting 1 April 2019. Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on the Council as a billing authority, to calculate its Council Tax by applying a formula which as set out in the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated. The basis of liability for Council Tax is the valuation band to which a dwelling has been assigned. Valuation bands range from A to H, and the relative liabilities of each band are expressed in terms of proportions of Band D.
- 6.2 The calculation to establish the relevant basic amount of council tax by is done by dividing the council tax requirement for the financial year by the billing authorities' council tax base. In brief, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year. The estimated collection rate is the percentage of council tax payable which the authority actually expects to be paid i.e. the difference between what it ought to be paid in council tax and certain fund transfers and what it is likely to be paid.
- 6.3 The Council is under an obligation to notify major precepting authorities of the calculation.
- 6.4 For this Council the setting of the Council Tax Base is a Cabinet function. This is because Section 67 Local Government Finance Act 1992 as amended by section 84 of the Local Government Act 2003, (and more recently the Localism Act 2011), enabled the Assembly to delegate the power to set the tax base to the Cabinet. This is reflected in the Constitution at Part 2 Chapter 6 Responsibility for functions at paragraph 2.1(ii).

**Public Background Papers Used in the Preparation of the Report:** None

### List of appendices:

- **Appendix A** – Calculation of the 2019/20 Council Tax Base