

CABINET

21 January 2014

This report is submitted under Agenda Item 6 and replaces the version that appears in the published agenda. The Chair will be asked to decide if it can be considered at the meeting as a matter of urgency under the provisions of Section 100B(4)(b) of the Local Government Act 1972 in order for the Cabinet to set a Council Tax Base for 2014/15.

Title: Calculation and Setting of the Council Tax Base 2014-15	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Kathy Freeman, Group Manager Corporate Finance	Contact Details: Tel: 020 8227 3497 E-mail: kathy.freeman@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Chief Finance Officer	
Summary 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 2014-15.	
Recommendation(s) The Cabinet is recommended to agree: (i) That the existing discounts and exemptions for 2013/14, including the Council Tax Support Scheme as set out at Appendix B, remain unchanged and those prescribed by statute be applied in calculating the tax base for 2014/15; (ii) That, consistent with previous decisions of the Council, no locally determined discounts based on categories of property or occupier be awarded for 2014/15; (iii) That, consistent with previous decisions of the Council, there be no award of reductions for prompt payment for 2014/15; (iv) On the basis of (i), (ii) and (iii) above and in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, that the amount calculated by the London Borough of Barking and Dagenham Council as its tax base for the year 2014/15 shall be 40,522.12 Band 'D' properties.	
Reason(s) To meet the Council's statutory duties under Section 33(5) of the Local Government Finance Act 1992 and The Local Authorities (Calculation of Tax Base) (England) Regulations 2012.	

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	A
Values exceeding £40,000 but not exceeding £52,000	B
Values exceeding £52,000 but not exceeding £68,000	C
Values exceeding £68,000 but not exceeding £88,000	D
Values exceeding £88,000 but not exceeding £120,000	E
Values exceeding £120,000 but not exceeding £160,000	F
Values exceeding £160,000 but not exceeding £320,000	G
Values exceeding £320,000	H

- 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 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 mental impairment
- People living in a nursing or care home
- Certain care workers
- People in prison
- Properties left unoccupied because the occupier has died

Where the number of adults to be counted after allowing these disregards 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 and unfurnished and have been so for two years or more are charged an additional 50% of the applicable council tax.

d) Exemptions

There are 21 categories of property which are exempt. The main exemption that applies in Barking and Dagenham are properties occupied by students.

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 1/9th of the band D charge.

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 30 November 2013. 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 2014/15.

f) Reductions for second homes

Second homes are eligible for a 10% discount for 30 days. After this time the full council tax applicable to the property is charged.

g) Discounts for tax payers that qualify for the Council's council tax reduction scheme

Discounts are awarded to residents who claim and who qualify for a discount under the Council's council tax reduction scheme which remains unchanged from 2013/14.

- 2.6 The table below has additional adjustments for the Council Tax support scheme based upon a 15% reduction in liability for working age applicants and for exemptions for empty properties as explained in the tax base report.

2013-14			2014-15	
Last Year Totals	Band 'D' Equivalents	Band	Total	Band 'D' Equivalent
4.50	2.5	A*	2.75	1.5
5,492.75	3,661.80	A	5,230.95	2,079.98
9,073.05	7,056.80	B	9,163.00	4,677.93
38,585.85	34,298.50	C	38,872.50	26,624.10
7,746.35	7,746.40	D	7,997.75	6,756.13
1,563.10	1,910.50	E	1,533.50	1,640.50
315.20	455.30	F	312.25	414.76
39.30	65.50	G	39.00	63.19
4.9	9.8	H	4.00	8.00
62,825.00	55,207.10		63,155.00	42,265.11
CTS	(13,883.96)	This information was not available in 2013/14 by band.		
Empty properties	672.65			
	41,995.79			

- 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 2014/15 has been assessed as 6.5%. A further adjustment has been made for arrears collection.

- 2.8 The adjustment, expressed as band D equivalents, is shown below.

Estimated 2014/15 Band D equivalent	42,265.11
Losses on collection allowance at 6.5%	(2,747)
Arrears collection	1,004
Final Tax Base for 2014/15	40,522.12

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

3. Options Appraisal

3.1 In December 2008 the Assembly accepted a recommendation not to award reductions for prompt and non-cash payments for 2009/10 but to reconsider the possibility of this in future years.

3.2 Under regulation 28 of the Council Tax Administration and Enforcement Regulations, a billing authority may set a resolution before the date Council Tax is set that will allow Council Tax payers to receive a discount for paying Council Tax by a specified date/day, if it is paid in a lump sum.

3.3 It is recommended that the Cabinet do not adopt a reduction scheme for prompt payment in 2014/15 due to the potential cost of the scheme. For example if a 5% discount was offered and taken up by half of payers this would cost the Council £1 million. This would in part be offset by additional interest earned of approximately £100k.

3.4 The government brought in legislation (Local Government Finance Act 2012) to allow local authorities discretion over the level of exemptions and discounts allowed on empty properties. This table shows the current Council Tax discounts and premiums for 2013/14.

Class of property	Current status
Class A or B Second homes	A discount of 10% for up to 1 month
Class D – undergoing repair	10% discount for up to 12 months
Class C – unoccupied and unfurnished	100% discount for up to 1 month
Long term empty properties after 2 years	After 2 years empty a premium of 50% is charged

3.5 This table shows the estimated cost of granting these discounts in 2013/14.

Class of property	Value of discount (£)
Class A or B Second homes	18,000
Class D – undergoing repair	5,000
Class C – unoccupied and unfurnished	241,000
Total	264,000

3.6 The Class C – unoccupied and unfurnished discount is awarded for one month to allow for the period of time between tenants leaving and moving into properties. Removing the discount would put pressure on collection due to the changes between liable parties and the increased income is unlikely to justify the additional

cost. A large amount of these properties are also Housing Revenue Account (HRA) properties where the Council would be liable for the Council Tax for the period where there was no tenant.

- 3.7 Second homes and houses undergoing repair are provided a small discount in recognitions of their circumstances. However they are time limited to encourage properties to be bought back into full use as quickly as possible.

4. Consultation

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

5. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer

- 5.1 The financial implications are set out in Appendix A to this report (Calculation of Tax Base).

- 5.2 There is an increase in the tax base of 566.46 from the 2013/14 tax base of 39,955.66. This represents additional income of £576,000 before losses in collection for the Council compared to the previous year.

6. Legal Implications

Implications completed by: Paul Feild, Senior Corporate Governance Solicitor

- 6.1 The legal context and implications are summarised within paragraphs 1.1 to 1.3 of this report.

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

List of appendices:

- **Appendix A** – Detailed calculation of the tax base 2014/15;
- **Appendix B** – Council Tax Support Scheme 2013/14 and 2014/15.