

CABINET

27 January 2015

Title: Calculation and Setting of the Council Tax Base for 2015/16	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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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 2015/16.	
Recommendation(s) The Cabinet is recommended to agree: (i) That in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Barking & Dagenham Council as its tax base for the year 2015/16 shall be 42,624.64 Band 'D' properties;	
Reason(s) 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	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 relevant discounts and exemptions are taken into account.
- 2.6 The following table shows the number of chargeable properties at 30 November 2014 after all discounts and exemptions have been applied.

2014/15			2015/16	
Last Year Totals	Band 'D' Equivalents	Band	Total	Band 'D' Equivalent
2.75	1.52	A*	0.72	0.40
3,118.46	2,079.98	A	3,261.37	2,174.25
6,014.48	4,677.93	B	6,354.99	4,942.77
29,952.11	26,624.10	C	30,988.30	27,545.16
6,756.13	6,756.13	D	7,100.52	7,100.52
1,342.23	1,640.50	E	1,366.02	1,669.58
287.14	414.76	F	289.14	417.65
37.92	63.19	G	36.68	61.13
4.00	8.00	H	4.00	8.00
47,515.22	42,265.11		49,401.74	43,919.46

*Disabled person's reductions

- 2.7 When determining the tax base for the purpose of setting the Council Tax an adjustment for anticipated growth in the number of properties and changes in discounts and exemptions is included. In December Cabinet approved savings that affected the level of discounts and exemptions to be awarded in 2015/16 and these have been incorporated into the Council Tax Base calculation.
- 2.8 Additionally an allowance must be made for non collection. The in year losses on collection allowance for 2015/16 has been assessed as 6%. A further adjustment has been made for arrears collection to reflect the recovery of debt in future years.
- 2.9 The adjustments, expressed as band D equivalents, is shown below.

Band D equivalent at 30 November 2014	43,919.46
Projected changes in discounts and growth	212.77
Total before losses in collection	44,132.23
In year losses on collection allowance at 6%	(2,647.93)
Estimated arrears collection	1,140.34
Council Tax Base for 2015/16	42,624.64

- 2.10 A fully detailed calculation of the tax base is contained in Appendix 1.

3. Consultation

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

4. Financial Implications

Implications completed by: Chris Leslie, Group Accountant (Budgets)

- 4.1 The Council Tax Base has increase by 2,102.52 band D equivalent properties from 2014/15 (40,522.12). At the current Council Tax charge of £1,016.40 this would generate an additional £2.14m of income for the Council compared to the previous year.
- 4.2 Of this £2.14m additional income, £1.64m has already been incorporated as part of the savings proposals and budget gap that was presented to Cabinet in December 2014.
- 4.3 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 2015/16. For every 1% change in the collection rate, income would increase or decrease by £449k.

5. Legal Implications

Implications completed by: Paul Feild, Senior Corporate Governance Solicitor

- 5.1 As observed above there is a legal requirement that the Council as a billing authority must set it's Council Tax base before 31 January 2015 for the following financial year starting 1 April 2015. 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*.
- 5.2 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.
- 5.3 The Council is under an obligation to notify major precepting authorities of the calculation.
- 5.4 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), to 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 1** – Calculation of the 2015/16 Council Tax Base