

CHERWELL DISTRICT COUNCIL

COUNCIL MEETING

23 FEBRUARY 2009

REPORT OF THE HEAD OF FINANCE

CALCULATING AND SETTING COUNCIL TAX FOR 2009/2010

1 Introduction and Purpose of Report

- 1.1 Sections 32 to 36 of the Local Government Finance Act 1992 require each billing authority to calculate its own amount of tax for each category of dwellings in its area, reflecting its budget requirement.
- 1.2 Section 30 of the 1992 Act requires each billing authority to set the amounts of tax for its area, including the amounts levied on it by way of precept from major precepting authorities.
- 1.3 Section 35 provides for (amongst other things) any expenses incurred in performing in part of the District a function performed elsewhere in the District by a parish council or the Chairman of a parish meeting to be the authority's special expenses unless a resolution to the contrary is in force.

2 Wards Affected

- 2.1 All

3 Effect on Policy

- 3.1 By approving the Council's budget requirement and calculating the effect in Council Tax terms, this determines the Council's spending plans for 2009/2010.

4 Contact Officer(s)

- 4.1 Phil O'Dell (Ext 7098) and Steve Newman (1861)

5 The Tax Base

- 5.1 At its meeting on 12 January 2009, the Executive calculated the following amounts for 2009/2010 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992, as amended:-
 - a. 49,923 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year;
 - b. the amounts in the Tax Base for 2009/10 column of Annex 1 (attached) being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

6 The Budget Requirement

- 6.1 Section 32 of the Local Government Finance Act 1992 requires a billing authority to calculate its budget requirement before 11th March in the year preceding the financial year, to which the budget applies.
- 6.2 In calculating its budget requirement, the billing authority must take into account the amount of special items, which includes local precepts (for parish and town councils). The budget requirement, which also takes into account movements in reserves, is as follows:-

	<u>Approved Estimates</u> £	<u>Special Items</u> £	<u>Total</u> £
Estimated General Fund expenditure for 2009/2010, chargeable to revenue, including contingencies:	67,134,116		67,134,116
Additions to reserves			
Parish precepts		3,885,910	3,885,910
Estimated expenditure 2009/2010	67,134,116	3,885,910	71,020,026
Estimated General Fund income for 2009/2010	49,995,774		49,995,774
To be taken from reserves	253,928		253,928
Estimated income 2009/2010	50,249,702		50,249,702
BUDGET REQUIREMENT	16,884,414	3,885,910	20,770,324

7. Calculation of the Basic Amount of Tax

- 7.1 Section 33 of the 1992 Act provides the following formula to calculate the basic amount of tax:-

$$\text{The basic amount of Council Tax} = \frac{R - P}{T}$$

Where -

R is the budget requirement

P is the aggregate of the sums, which the authority estimates will be receivable in respect of redistributed non-domestic rates, revenue support grant and additional grant as well as transfers from the Collection Fund

T is the Council Tax base for the year

- 7.2 The budget requirement is that calculated at 6.2 above, which is £20,770,324.
- 7.3 The Department for Communities and Local Government notified local authorities of the amount of external financial support the Secretary of State has included in the Local Government Finance Report. In addition the Executive has approved the budget allowing for an amount of

£108,313 transferred from the Collection Fund to the General Fund, representing this Council's share of the projected surplus of council tax for 2009/2010. The amounts to be applied as item P are shown below:-

	£
Transfer from the Collection Fund (Council Tax)	108,313
Redistributed non-domestic rates	9,314,023
Revenue support grant	1,296,587
	<u>10,718,923</u>

7.4 As referred to in paragraph 5.1.a, the tax base for the District Council is 49,923.

7.5 By substituting the above amounts for the formula in 7.1 above,

$$\text{the basic amount of Council Tax} = \frac{20,770,324}{49,923} - 10,718,923$$

$$\frac{10,051,401}{49,923}$$

$$\text{THE BASIC AMOUNT OF TAX} = \text{£}201.34$$

8 Additional Calculations for Special Items

8.1 Section 34 of the 1992 Act provides for additional calculations to take into account special items.

8.2 Section 35 lists those items to be classed as special items, and includes any precept (local precepts) and any expenses which are the Council's special expenses included in the budget requirement.

8.3 Paragraph 13.1 contains the necessary formal resolution so that the Council can have a general "opt out" resolution in place with regard to special expenses. Without such a resolution any General Fund expenditure incurred in performing functions that a parish council performs somewhere in the District has to be regarded as special expenses.

8.4 Section 34(2) requires each billing authority to calculate the basic amount of its Council Tax for dwellings in a part (or parts) of its area, to which no special item relates, by applying the following formula:-

$$B - \frac{A}{T}$$

Where

B is the basic amount of tax

A is the aggregate of all special items

T is the taxbase used to calculate the basic amount of tax

8.5 The basic amount of tax calculated at 7.5 above is £201.34

8.6 The aggregate of all special items is £3,885,910, being the total amount of precepts issued by local precepting authorities.

8.7 The tax base is 49,923.

8.8 By substituting the above amounts for the formula in 8.4 above,

the basic amount of tax in Areas without special items = £201.34 - $\frac{£3,885,910}{49,923}$

= £201.34 - £77.84

THE BASIC AMOUNT OF TAX FOR PARTS OF THE AREA TO WHICH NO SPECIAL ITEM RELATES = £123.50

8.9 Section 34 (3) requires each billing authority to add to the figure calculated under Section 34 (2) an amount calculated from the following formula:-

$$\frac{S}{TP}$$

Where -

S is the special item for that part of the area
TP is the tax base for that part of the area

8.10 The special items for each part of the area are shown in Annex 1 in the column titled "Parish Precept 2009/10".

8.11 The value of TP is shown in Annex 1, in the column entitled "Tax Base 2009/10".

8.12 The result of the formula $\frac{S}{TP}$ is to be found in the column of Annex 1, entitled "Parish Needs"

8.13 The amount in the Parish Needs column is then added to the amount calculated at 8.8 above (shown in the column titled "Cherwell Needs") to show the basic total amount of tax calculated for each part of the area, appropriate to a band D property (shown in the column titled "Total Tax Calculated").

9 The Calculation of Tax for Different Valuation Bands

9.1 Section 36 of the 1992 Act provides the following formula to calculate the tax applicable to each band:-

$$A \times \frac{N}{D}$$

Where –

A is the amount calculated under Section 34 (3).
N is the proportion relevant to the valuation band (see Section 5(1) of the 1992 Act).
D is the proportion relevant to band D, i.e. 9.

9.2 As there are 78 parts to the area (parishes and town councils), each with 8 valuation bands, there are 624 calculations to be performed and these are shown in the columns headed by a valuation band A to H in Annex 1.

10 Setting the Council Tax

10.1 Section 30 of the 1992 Act requires each billing authority to set an amount of Council Tax for

each category of dwellings in its area before 11th March.

10.2 Such an amount set is the aggregate of:-

- a. the amount calculated under Sections 32 to 36 of the Act, and
- b. the amount calculated under Sections 43 to 47 by each major precepting authority and issued as a precept under Section 40 of the Act.

10.3 Oxfordshire County Council is one of the two relevant major precepting authorities as far as this Council is concerned and has issued a precept of £56,443,942, which represents a basic amount of tax at band D of £1,130.62. The amount of tax calculated for each band is as follows:-

A	B	C	D	E	F	G	H
£753.75	£879.37	£1005.00	£1,130.62	£1,381.87	£1,633.12	£1,884.37	£2,261.24

10.4 Thames Valley Police Authority is the other relevant major precepting authority as far as this Council is concerned. It has issued a precept of £7,552,056 which represents a basic amount of tax at band D of £151.27. The amount of tax calculated for each band is as follows:

A	B	C	D	E	F	G	H
£100.85	£117.65	£134.46	£151.27	£184.89	£218.50	£252.12	£302.54

10.5 There are again 624 calculations to be performed and these are shown in the columns headed by a valuation band A to H in Annex 2.

11 The Calculation of the Council's Demand on the Collection Fund

11.1 Section 97 of the Local Government Finance Act 1988, as amended by paragraph 22 of Schedule 10 of the Local Government Finance Act 1992, provides for the calculation of each billing authority's demand on the Collection Fund.

11.2 The formula $B \times T$ is to be used,

Where -

- B= the amount of Council Tax calculated by the billing authority under Section 33 of the 1992 Act
T= the Council tax base

11.3 The basic amount of tax calculated under Section 33 is £201.34 and the value of T is 49,923, which gives an amount of £10,051,401, being the amount to be transferred from the Council's Collection Fund to the Council's General Fund.

12 Risk Assessment, Financial Effects and Contributions to Efficiency Savings

12.1 The following details approved by Stephen Newman (Ext 1861), (Denise Westlake) (Ext 1559).

12.2 Risk assessment – – this report assumes that the estimates recommended for approval by the Executive, at its meeting held on 23 February 2009, are adopted by the Council.

- 12.3 Financial effects – by setting tax levels in accordance with the recommendations, the tax set should raise the amount required to be met from the Collection Fund to pay the precepts to Oxfordshire County Council and Thames Valley Police Authority as well as to meet this Council's demand, which includes local precepting authority precepts.

Members should be aware that Section 106 of the Local Government Finance Act 1992 applies to decisions made in accordance with this report and any member affected by it is obliged to disclose the fact and refrain from voting.

- 12.4 Efficiency savings – are no efficiency savings identified as a result of this report.

13 Recommendation

- 13.1 It is **RECOMMENDED** that the Council resolves:-

That pursuant to Section 35 of the Local Government Finance Act 1992, any expenses incurred by the Council chargeable to its General Fund, in performing functions and providing services undertaken elsewhere within the District by a parish council shall be a general expense falling upon the whole district.

- 13.2 That it be noted that at its meeting on 12 January 2009 the Executive calculated the following amounts for the year 2009/2010 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:-

- a. 49,923 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year.
- b. the amounts in the Tax Base 2009/10 column of Annex 1, being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

- 13.3 That the following amounts be now calculated by the Council for the year 2009/2010 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

- a. £71,020,026 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;
- b. £50,249,702 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;
- c. £20,770,324 being the amount by which the aggregate at 13.3(a) above exceeds the aggregate at 13.3(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;
- d. £10,718,923 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant and additional grant or as a transfer from or to its collection fund being a reduction or increase in its provision for estimated surplus of council tax.
- e. £201.34 being the amount at 13.3(c) above less the amount at 13.3(d) above, all divided by the amount at 13.2(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year;
- f. £3,885,910 being the aggregate amount of all special items referred to in Section 34(1) of the Act;

- g. £123.50 being the amount at 13.3(e) above less the result given by dividing the amount at 13.3(f) above by the amount at 13.2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates;
- h. the amounts in the column of Annex 1, headed Total Tax Calculated, being the amount given by adding to the amount at 13.3(g) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amounts at 13.2(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate;
- i. the amounts in the final eight columns of Annex 1 (headed Tax Calculated for Each Valuation Band by Cherwell and each column headed with its appropriate band title A to H) being the amounts given by multiplying the amounts at 13.3(g) and 13.3(h) above by the number which, in the proportion set out in Section 5(1) of the Act (6 to 18), is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D (9), calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

13.4

That it be noted that for the year 2009/2010 the Oxfordshire County Council and the Thames Valley Police Authority, being major precepting authorities, have stated the following amounts as precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown overleaf -

Oxfordshire County Council

A	B	C	D	E	F	G	H
£753.75	£879.37	£1005.00	£1,130.62	£1,381.87	£1,633.12	£1,884.37	£2,261.24

Thames Valley Police Authority

A	B	C	D	E	F	G	H
£100.85	£117.65	£134.46	£151.27	£184.89	£218.50	£252.12	£302.54

13.5 That, having calculated the aggregate in each case of the amounts at 13.3(i) and 13.4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts of council tax for the year 2009/2010 for each of the categories of dwellings shown in Annex 2.

13.6 That having calculated the basic amount of council tax in 13.3(e) above to be £201.34 and the tax base for the district, as noted at 13.2(a) above is 49,923; the Council hereby determines that its demand on the collection fund for the year 2009/2010 shall be £10,051,401

Background Papers:

- (a) Various Estimates 2009/2010 Working Papers Files
- (b) Local Government Finance Settlement 2009/2010