

# Appendix 4

## COUNCIL TAX BASE FOR 2010/11

11 January 2010

### Report of Head of Finance

#### PURPOSE OF REPORT

To consider the calculation of the council tax base for 2009/10

This report is public

#### Recommendations

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The Executive is recommended:

- (1) To approve the report of the Head of Finance, made pursuant to the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended, and the calculations referred to therein for the purposes of the Regulations;
- (2) To resolve that, in accordance with the Regulations, as amended, the amount calculated by the Cherwell District Council as its council tax base for the year 2010/2011 shall be 50,113; and
- (3) To resolve that the tax base for parts of the area be in accordance with the figures shown in column 13 of Appendix 4b.
- (4) To resolve to continue with the discretionary awards that it resolved to give on December 1 2008 and detailed in Appendix 4c.

#### Executive Summary

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##### Introduction

- 1.1 The Council is required to calculate its tax base for each financial year in advance of the start of the year and notify its major precepting authorities and local precepting authorities accordingly.
- 1.2 The background information forming part of this report provides all the necessary calculations together with an explanation of how each has

been arrived at.

- 1.3 There are various powers contained within the Council Tax, Housing Benefit and Business Rates legislation, all of which are reviewed annually.
- 1.4 Any resolution to amend a discretionary power relating to Council Tax must be made before the Council Tax for the next financial year is set. Similarly, with Business rates, it is important to establish the criteria that will apply for all classes of discretionary relief prior to the annual billing process.

### **Proposals**

- 1.5 To consider the calculation of the council tax base for 2010/2011 as set out in the background information and decide whether to vary the estimated figures of adjustments for changes in property information during the year, e.g. new properties or discount changes, as well as the collection rate used in the attached Appendix 4a to this report.
- 1.6 It is proposed that no variations are made to either the estimated adjustments or the collection rate used in Appendix 4a. The estimated adjustments have been made to take into account the potential slow down in the building of new properties resulting from the change in the economic climate and the collection rate remains unchanged from 2009/10 to reflect the possible fall off in collection that may occur if the recession has a serious effect on jobs in the district.
- 1.7 There are no proposals to amend any of the discretionary powers in relation to the council tax, business rates or housing and council tax benefit from those agreed by the Executive in December 2008. These can be seen in Appendix 4c.

### **Conclusion**

- 1.8 The attached background information and Appendices provide the most up to date view of the tax base and the adjustments that have been made to allow for changes during 2010/2011 are based on the current understanding of the effects the recession is likely to have on properties. On this basis the Executive is invited to approve the recommendations set out at the beginning of this report.

## Background Information

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### COUNCIL TAX BASE CALCULATIONS FOR 2010/11

#### Valuation Banding and Notification to Preceptors

- 2.1 The billing authority is obliged to notify major precepting authorities of the tax base set, by 31 January 2010. In practice, it is important that they, and the local precepting authorities, are given more time to determine their precepts, in order that they are able to levy them on this Council in time for the council tax level to be considered at the Executive meeting to be held on 1 February and for the Council to set the council tax at its meeting on 22 February 2010.
- 2.2 To give all precepting authorities (including parish and town councils) sufficient time to determine their precepts it would seem appropriate to notify all precepting authorities of their proposed taxbases following this meeting of the Executive.

#### The Requirements of the Tax Base Calculation

- 2.3 The Local Authorities (Calculation of Tax Base) Regulations 1992 (S.I. No 612 of 1992) as amended by S.I. 1742 and S.I. 2943 (both of 1992), S.I. 3123 and 3437 (both of 1999) and S.I. 3012 of 2003 set out the necessary calculations and it is a clear intention that the Council should be seen to perform a series of calculations, which follow.
- 2.4 The first step is to establish the relevant amount (band D equivalents) for 2010/11. Regulation 5AA provides the following formula:

**the relevant amount for a valuation band = (H-Q + J) x F/G**

Where -

H is the number of chargeable dwellings

Q is a factor to take account of the various discounts

J is an amount of adjustments for changes in property information during the year e.g. new properties or discount changes

F is the proportion relevant to the band e.g. 6 for band A

G is the number relevant to band D i.e. 9

- 2.5 Appendix 1 to this report shows a summary of the information resulting in the following totals:

58,499 properties on the list

50,911.9 band D equivalents (the relevant amount)

- 2.6 Appendix 2 to this report provides the calculation of the tax base for each town and parish

- 2.7 Regulation 3 of The Local Authorities (Calculation of Council Tax Base) Regulations 1992 provides for each billing authority to determine a collection rate. It requires the authority to estimate the amounts, which

are likely to be paid, expressed as a proportion of its estimate of what should be paid. It is estimated that in accordance with the calculations under regulation 3, the Collection Rate for this authority should be 98%.

- 2.8 Because there is a need to calculate the tax base at individual town and parish level the Collection Rate has been applied to the net band D equivalents in Appendix 4b and the MOD property added back to arrive at a tax base of 50,113 compared to 49,923 in the current financial year

### **Calculation of the Tax Base for a Part of the Area**

- 2.9 Regulation 6 requires that the tax base be determined for each local precepting area. Appendix 4b provides this for the 78 distinct parts of the District's area.
- 2.10 Column 1 shows the band D equivalents of properties in each part net of exemptions, disabled relief and discounts. The Local Authorities (Calculation of Council Tax Base)(Amendment)(England) Regulations 1999 (Statutory Instrument No 3123 of 1999) provide for disabled relief to be allowed on properties in band A. Instead of being charged at 6/9 of band D they are charged at 5/9 of band D
- 2.11 Column 2 adds in MOD property to arrive at the 'relevant amount', which totals to 50,910.0 in column 3
- 2.12 Columns 4 to 7 deal with any adjustments expected during the year. It is almost impossible to predict changes to discounts and reductions in property numbers but an estimate has been included of additional properties. The figures in column 4 have been taken from Inspectors' records and have been converted to an estimated band D equivalent. In all cases properties have been assumed to be billed for a half year only. Columns 4 and 6 also take into account the movement of any properties (at band D equivalent) between parishes and any properties to be demolished
- 2.13 Column 8 provides a sub-total
- 2.14 Column 9 takes the MOD property back out again to give the net figure again in column 10
- 2.15 Column 11 applies the Collection Rate. This has been maintained at 98%, the same figure used for the current year. This is considered reasonable given the 98.5% collection rate achieved in 2007/08, whilst also allowing for any shortfall that may arise if the recession results in local residents finding it difficult to meet all their financial commitments and falling into arrears with their council tax payments
- 2.16 Column 12 adds back the MOD property and column 13 shows the tax base for billing purposes for 2010/2011
- 2.17 Column 14 shows the tax base for 2009/2010 for comparison purposes

## **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 The Collection Rate to be used in the tax base calculation is a best estimate of the percentage of the total amount due for 2010/2011 that will be collected. It is based on the level of in-year collection achieved in previous years. Over recent years the in-year collection rate has increased each year, from 95.75% in 2000/01 to 98.5% last year. The Collection Rate was last increased, from 97 to 98%, in the tax base calculation for 2007/08. Actual in-year collection for 2007/08 was 98.5%, it has taken 2 financial years to move from 98% to 98.5% and every increase of just 0.1% is becoming harder to achieve.
- 3.2 The issues that affect the collection rate estimate centre around the ability to pay. With a recession beginning there will be a number of local residents whose ability to pay their council tax will be affected over the next year and these residents may not qualify for help through council tax benefits, in which case they may find it difficult to maintain their outgoings.
- 3.3 Given the unknown factors that will arise from the current economic situation in the next year it is to be recommended that the collection rate used in the tax base calculation remain at 98%.
- 3.4 The estimate of adjustments applied to take account of new properties likely to become available during the next year could also be varied. The adjustments made, on the basis of the information obtained by the council tax inspector, take into account known planning applications and the progress that is to be made on them during the remainder of this year and next.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

**Option One** The majority of figures used in the calculation are obtained from the billing system for council tax and as such are a matter of fact. The Executive could vary the estimated figures of adjustments for changes in property information during the year e.g. new properties or discount changes as well as the collection rate used in this report.

**Option Two** The Council may vary the discounts for second homes and long-term empty dwellings this report proposes that the rates for 2010/11 continue unchanged from those approved for 2009/10 as approved by the Executive at its meeting on 1 December 2009

## **Consultations**

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None

## **Implications**

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**Financial:** The tax base determines the potential income from each £1 of council tax set. If the tax base, as calculated in column 13 of Appendix 4b, were to be set, it would result in £50,113 being raised per £1 of council tax set (for budget purposes).

(Section 106 of the Local Government Finance Act 1992 applies to decisions taken on matters contained in this report and any Member affected by it is obliged to disclose the fact and refrain from voting.)

Comments checked by Denise Westlake, CSR Service Accountant, 01295 221982

**Legal:** The calculations required to be undertaken by the Council in order to arrive at its council tax base are set out in the legislation referred to in paragraphs 2 and 3.1 of this report. Failure to set a council tax base for 2010/11 would result in the Council being unable to set its council tax for 2010/11

Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686

**Risk Management:** The adjustments made, in columns 4 and 6 of Appendix 4b, to the data supplied by the council tax system, to allow for new and demolished properties occurring in 2010/11, is an estimate based on existing planning permissions. There is a risk that new properties will not be built or may not sell and become occupied as soon as the builders expect, this estimate is therefore reduced by 50% to allow for possible delays in these new properties being built and occupied in 2010/11

Comments checked by Karen Muir, Corporate System Accountant 01295 221559

## **Wards Affected**

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All

## **Corporate Plan Themes**

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**An Accessible, Value for Money Council**

## Executive Portfolio

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**Councillor James Macnamara**  
**Portfolio Holder for Resources and Organisational Development**

## Document Information

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<b>Appendix No</b>	<b>Title</b>
Appendix 4a&b	Council Taxbase Calculations
Appendix 4c	Discretionary Powers
<b>Background Papers</b>	
Reports RRV708 and RKC 023D from the Northgate Revenues computer system	
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