

# **Report for Decision under Officer's Delegated Powers.**

## **1. Introduction**

1.1 The report relates to a statutory duty to set the tax base.

## **2. Background**

2.1 The Taxbase calculation is part of the Council's annual budget process and establishes the number of band "D" equivalent properties in the district. Having established this figure the budget requirements of the Council and major precepting authorities (Police and Crime Commissioner and Royal Berkshire Fire and Rescue Service) are divided by the Taxbase to obtain the level of Council Tax for a property at Council Tax band "D". The same process applies to local precepting authorities (Town and Parish Councils).

2.2 The Council is required to set its Taxbase for 2014/2015 by 31st January 2014. Section 32 – 36 Local Government Finance Act 1992 and The Local Authorities (Calculation of Council Tax Base) Regulations 1992 SI 1992/612 (as amended) applies.

2.3 The Taxbase calculation can be delegated to a committee or delegated officer under Section 84 Local Government Act 2003 which introduced The Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 SI 2003/3012.

## **3. The Taxbase calculation**

3.1 A large part of the information used to calculate the Taxbase is dependent upon actual values for the number of properties, discounts and exemptions which exist at the time of the calculation. However it is also necessary to estimate the effects of changes which will occur through to 31st March 2015. These changes will, principally, relate to new properties being built and the estimate will take account of the anticipated date of completion, the Council Tax band into which the property will fall and any discount entitlement for the occupiers of those properties.

3.2 Whilst it is important that this estimate has a high degree of accuracy, because of the direct relationship between the Taxbase and the amount of tax paid by individuals, it is equally important to recognise that, once the planning approval process has taken place, this is an estimate based upon matters over which the Council has little direct control. Consequently it is possible that there will be some variation from the estimates. If the Taxbase is set at too high a figure the actual income received will be lower than anticipated and the Council and major precepting authorities will incur the additional cost of borrowing to cover the shortfall. If the Taxbase is set too low the opposite will apply with income exceeding estimates, given the pressure to keep tax increases to a minimum this would be unacceptable and could lead to adverse comment.

3.3 In order to achieve the required degree of accuracy a detailed approach to the process for estimation has been developed over a period of years. Information from Planning records is compared to that held in Council Tax records to ensure that there is full knowledge of all developments which have planning approval. The staffing establishment includes two property inspectors who physically check construction progress and liaise with developers in order to feed back information to the Revenues team. The inspectors also establish details of the size and type of property under construction in order to identify the likely Council Tax band into which each property will be placed. As properties in each development or within the local area are allocated to a band by the Valuation Office Agency, the estimates are reviewed and the calculation is refined where necessary. The least objective part of the process is the identification of the impact of discounts and exemptions because details of the household occupying each property will not be available at the time of the estimate. The adjustment here uses the same ratio of reductions to new properties as exists with current live properties.

3.4 The size of the Taxbase has a direct link in to the Council's own Medium Term Financial Strategy where assumptions have been made about the rate of growth in the current and future years.

3.5 Robust procedures are in place to verify entitlement to the various forms of discount and exemption which now include use of external resources to match applications to other data sets. All property recorded as being empty or subject to exemption is subject to regular physical inspection in order to ensure that the reduction can continue to be allowed.

3.6 The final Taxbase is determined by converting all calculations to an equivalent number of band D properties.

3.7 The exercise must be performed at both district and parish level to enable parish precepts and special expenses to be charged upon the local Taxbase.

#### **4. Impact of Council Tax Reduction Scheme on the Taxbase**

4.1 The Local Government Finance Act 2012 replaced Council Tax Benefit with a requirement for each billing authority to develop its own local scheme of Council Tax Support for those on low incomes and in need of assistance to meet their Council Tax liabilities.

4.2 Because Council Tax Reductions take the form of a discount they have the effect of reducing the taxbase. In order to assess the effect on the taxbase the actual amount of Council Tax Reduction was identified for each Council Tax Band. This figure was then divided by the actual Council Tax charge for each band to establish an equivalent number of properties. The calculation was made for each individual parish.

#### **5. Assumptions**

5.1 In making the calculations for 2014/2015 it is necessary to make adjustments to the calculation for exemptions, discounts, appeals etc. Certain

information has been gathered from the Council Tax records for 2013/2014, although it must be stressed that this information can vary with occupation changes and is only totally accurate on the day that it is compiled. This includes:

- Single person discounts
- Relief for disabled persons
- Exemptions
- Empty properties

5.2 In addition, certain other assumptions have been solely based upon value judgements. The assumptions are:

(1) **Appeals / New / Unbanded Properties** - No allowance for appeals against banding has been made within the Taxbase. There is a provision for the equivalent of 453 currently unbanded / new properties coming into charge in the period up to 31st March 2015. This equivalent number takes account of the fact that new properties will become subject to council tax charges at various dates during the course of the year and will therefore not be subject to a full year's charge. It is also necessary to make an estimate of the extent to which single occupancy discounts will reduce the charges raised.

(2) **Collection Rate and General Losses** - collection rate of 99.6% has been assumed after adjustment for losses due to bankruptcies, write offs, additional voids etc. This represents the final collection rate, regardless of the point in time at which collection occurs (the collection rate published annually relates to the amount collected for a year in the year to which it relates). This is considered achievable having regard to the collection rates achieved in respect of previous years. The ability to achieve this collection rate has a high dependence on maintaining appropriate staffing arrangements with the revenues team and a robust approach to the Council Tax recovery process.

(3) **Disabled Persons Discount** - the disabled persons discount scheme applies across all bands.

(4) **Single Person Discount** - All single person discounts have been subject to a regular review. The proportion of people entitled to single person discount compares very well with neighbouring councils and it is assumed that there will be no significant reduction in entitlement.

(5) **Discount for Second Homes** - Following the Council's decision on 13th December 2012, the amount of discount allowed on properties used as a second home was reduced from 10% to 0% with effect from

1st April 2012. Some second home discounts continue to have effect because legislation requires that to be the case. Details of this discount are included as a separate row

(6) **MOD Properties**, Contributions in lieu of Council Tax -We receive a contribution in lieu of Council Tax in respect of all MOD domestic property. There is no statutory obligation for this payment to be made but the Taxbase assumes a similar level of contribution to that in previous years.

## **6. Taxbase Calculations**

6.1 The calculation of Taxbase for the local precepting authorities and major precepting authorities is shown on the accompanying tables. A 0.4% adjustment needs to be made to allow for the possibility that not all Council Tax raised will be collected...

6.2 The recommended Taxbase for tax setting purposes is 60,599.03 which includes (at line 2 on the accompanying schedule) a provision for the equivalent of 453 additional properties. The figure in this line has been adjusted to take account of anticipated dates of completion and discounts.

6.3 Because of the inclusion of Council Tax Support as a discount the overall taxbase has been reduced by 5,628.47 properties with a band

6.4 Once the Council has identified its budget requirement for the year this is divided by the Taxbase for tax setting purposes to give the amount of Council Tax which a band D property will incur during the year 2014/2015.

## **7. Equalities Impact Assessment Outcomes**

7.1 This report follows a statutory duty for the Council to set its Council Taxbase. It relates to numbers of properties and the various forms of discount or exemption which may apply, the decision to be made does not directly impact on individuals and there are no equality issues arising from it

## **8. Recommendation**

8.1 The report recommends that The Taxbase be set for local and major precepting authority as shown in Appendix B;