

Title of Report:	Council Taxbase 2012/2013
Report to be considered by:	Executive
Date of Meeting:	15 December 2011
Forward Plan Ref:	EX2392

Purpose of Report:	To consider the calculation of the Taxbase for 2012/2013 and to formally set that Taxbase.
Recommended Action:	Pursuant to the Revenue and Benefits Manager's report and in accordance with the Local Authorities (Calculation of Taxbase) Regulations 1992, the amount calculated by West Berkshire Council as its Council Taxbase for each parish for the year 2012/2013 shall be the amount shown in the attached statement at Appendix B.
Reason for decision to be taken:	The Council has a statutory duty to set its Taxbase by 31st January 2012.
Other options considered:	None, this is a statutory function
Key background documentation:	Working papers held in Benefits and Exchequer

The proposals will also help achieve the following Council Plan Theme:	
<input checked="" type="checkbox"/>	CPT13 - Value for Money
The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:	
Underpinning the budget process	

Portfolio Member Details	
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Date Portfolio Member agreed report:	01 December 2011

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Implications

- Policy:** The Taxbase has been incorporated within the Council's Financial Strategy
- Financial:** The Taxbase set by the Council has a direct impact on the level of Council Tax charged to individual taxpayers for reasons set out in the body of this report. If the Taxbase is set at an incorrect level there can be significant implications for the budgets of the Council and of major precepting authorities, this is also explained in the body of this report.
- Personnel:** None
- Legal/Procurement:** None
- Property:** None
- Risk Management:** 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 important to recognise that this is an estimate based upon some matters over which the Council has no 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
- Equalities Impact Assessment:** Not applicable, statutory requirement relating to numbers of properties in the district and not directly related to individuals.

Is this item subject to call-in?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input checked="" type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	

Executive Summary

1. Introduction

- 1.1 The Council has to set its Taxbase annually.
- 1.2 The Taxbase identifies the effective number of properties over which Council Tax will be collected, taking into account the effect of discounts, exemptions and other reductions. The taxbase differs from the actual number of new properties because these items have been taken into account.
- 1.3 In calculating the Taxbase, the Council also takes into account the anticipated effect of new properties likely to be completed up to 31st March 2013.
- 1.4 The Taxbase is set at an individual parish level in order that each parish precept may be charged to taxpayers for that parish.
- 1.5 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. The impact of the economic recession on the construction industry and the ending of larger scale developments in parts of the district has been noticeable and has affected assumptions about the rate of growth over the last two years. New developments taken into account in the preparation of the Taxbase now recommended continue to be at a lower level across the district but the domestic element of the Parkway development and a small number of other developments of moderate size have helped to produce an anticipated higher level of growth in the next financial year. We continue to see a number of new builds which, whilst complete, are not subject to immediate occupation. In these cases we are obliged to allow an initial 6 month exemption before full council tax becomes payable, this has been reflected in the Taxbase calculation.
- 1.6 Apart from the estimate of the likely number of new properties coming into charge in the year to 31st March 2013, the Taxbase is essentially a statement of fact and shows the number of properties currently in the Council Tax lists and the numbers in receipt of the various forms of discount and exemption. The Revenues team operates robust procedures to establish entitlement to these various forms of reduction and has a well established inspection process which covers both properties in the course of construction and those known to be unoccupied or subject to other forms of exemption.
- 1.7 The recommended Taxbase for tax setting purposes for 2012/2013 is 64,190.21 and this includes the equivalent of an estimated 525 new properties.
- 1.8 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 2012/2013.

2. Proposals

- 2.1 Approval of the calculation of 64,190.21 as the Council's Taxbase for the year 2012/2013 and approval of the amount calculated as the Taxbase for each parish for the year 2012/2013 set out in the attached statement at Appendix C.

3. Conclusion

3.1 Approval of the Taxbase satisfies the statutory requirement.

Executive Report

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 (Thames Valley Police Authority 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 Town and Parish Councils.

2.2 The Council is required to set its Taxbase for 2012/2013 by 31st January 2012. 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 This 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. This information is taken from existing Council Tax records at the time the taxbase is prepared. However, it is also necessary to estimate the effects of changes which will occur through to 31st March 2013. 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 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. However, it has to be recognised 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 robust 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 Benefits and Exchequer 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 is based upon a similar ratio of reductions to new properties as exists with current live properties.

- 3.4 The recommended Taxbase for tax setting purposes is 64,190.21 which includes (at line 2 on the accompanying schedule) a provision for the equivalent of 525 additional properties.
- 3.5 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. The impact of the economic recession on the construction industry and the ending of larger scale developments in parts of the district has been noticeable and has affected assumptions about the rate of growth over the last two years. New developments taken into account in the preparation of the Taxbase now recommended continue to be at a lower level across the district but the domestic element of the Parkway development and a small number of other developments of moderate size have helped to produce an anticipated higher level of growth in the next financial year. We continue to see a number of new builds which, whilst complete, are not subject to immediate occupation. In these cases we are obliged to allow an initial 6 month exemption before full council tax becomes payable, this has been reflected in the Taxbase calculation.
- 3.6 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 inspection in order to ensure that the reduction can continue to be allowed.
- 3.7 The Government are currently consulting on proposed changes to some forms of discount and exemption. Any changes will not take effect until at least 2013/2014 and no adjustment has been made to the Taxbase currently recommended in anticipation of those changes.
- 3.8 The final Taxbase is determined by converting all calculations to an equivalent number of band D properties.
- 3.9 The exercise must be performed at both district and parish level to enable parish precepts and special expenses to be charged upon the local tax base.

4. Assumptions

- 4.1 In making the calculations for 2012/2013 it is necessary to make adjustments to the calculation for exemptions, discounts, appeals etc.
- 4.2 Certain information has been gathered from the current Council Tax records, 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

4.3 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 tax base. Council tax records include details of properties in the course of construction. An adjustment has been made to include those properties where it appears likely that they will be completed by 31st March 2013. This adjustment takes account of the estimated effect of discounts which may apply and of the ability to generate Council Tax income for only part of the year if completion takes place after 1st April 2012.

(2) Collection Rate and General Losses

A 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 and, subject to the satisfaction of statutory qualification criteria, the Council has no discretion in granting the discount. A review of entitlement was carried out during 2008/2009 and it is assumed that there has been no further significant variation in the number of entitlements.

(4) Single Person Discount

All single person discounts are subject to annual review using various methods. A review process is currently underway with an external supplier, who is able to compare our records of occupancy those held by credit reference agencies. The proportion of people entitled to single person discount compares very well with neighbouring council's and entitlement will be subject to detailed scrutiny over the next few months as part of the scheduled review process. Past experience indicates that the review process will result in the cancellation of some discounts and small adjustment has been made in anticipation of this

(5) Discount for Second Homes

Following the decision of the Council's Executive on 20th November 2003, the amount of discount allowed on properties used as a second home was reduced from 50% to 10% with effect from 1st April 2004. Details of this discount are

included in rows 12 and 13. There are no proposals to increase the discount from the statutory minimum of 10% and it has been assumed that there will be no significant reduction in the number of properties classed as second homes. This is one area where the Government are consulting on proposed changes but, if these changes do take place, they will not affect liabilities until at least 1st April 2013.

(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. Whilst there may be changes to MOD occupations, particularly at the School of Military Survey in Hermitage, it is assumed that this will not occur during the year 2012/2013.

5. Taxbase Calculations

- 5.1 A statement explaining the format of each report is attached at Appendix A together with the calculation of Taxbase for the district and each parish in Appendix C. The number of Band D equivalent properties is 64,448.
- 5.2 An adjustment needs to be made to allow for the possibility that not all Council Tax raised will be collected. It has been assumed that 0.4% will prove to be irrecoverable and, having adjusted for this the Taxbase for tax setting purposes is 64,190.21

Appendices

Appendix A – Equality Impact Assessment – Stage 1

Appendix B - explanatory note regarding format of the taxbase calculation at Appendix C

Appendix C - Taxbase calculation for each parish and for the whole district – *(please note that due to the size of this document it has been circulated under separate cover)*

Consultees

Local Stakeholders: Not consulted

Officers Consulted: Andy Walker, Head of Finance, Corporate Board

Trade Union: Not Consulted

Equality Impact Assessment – Stage One

Name of item being assessed:	Council Taxbase
Version and release date of item (if applicable):	
Owner of item being assessed:	Bill Blackett
Name of assessor:	Bill Blackett
Date of assessment:	04 November 2011

1. What are the main aims of the item?
To set the Council Taxbase for the District which is a statutory requirement

2. Note which groups may be affected by the item, consider how they may be affected and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)

Group Affected	What might be the effect?	Information to support this.
None	No effect on particular groups, setting the Taxbase relates to properties in the district adjusted for a variety of exemptions and status discounts. It is a product of those items and does not drive or impose conditions to entitlement for individuals	Text of the report

Further comments relating to the item:

3. Result (please tick by double-clicking on relevant box and click on 'checked')
<input type="checkbox"/> High Relevance - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/> Medium Relevance - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/> Low Relevance - This needs to undergo a Stage 2 Equality Impact Assessment



No Relevance - This **does not** need to undergo a Stage 2 Equality Impact Assessment

For items requiring a Stage 2 equality impact assessment, begin the planning of this now, referring to the equality impact assessment guidance and Stage 2 template.

4. Identify next steps as appropriate:	
Stage Two required	No
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name: Bill Blackett

Date: 4th November 2011

EXPLANATORY NOTE REGARDING FORMAT OF PARISH/DISTRICT TAXBASE CALCULATION

Across

The columns list the number of properties in each of the Tax Bands specified for Council Tax.

Down

1. Dwellings – the number of dwellings in the District or Parish within each tax band in the range A to H. There is one additional council tax band (Band @) which relates to those properties in band A receiving a disabled reduction.
2. Additions – an allowance for new properties in each band and the potential effect of discounts on those properties.
3. Exemption – properties defined by Government regulations as exempt from Council Tax. These are mainly various categories of empty property but can also include some categories of ‘occupied’ property.
4. Chargeable dwellings – the net effect of (1) to (3) above.
5. Disabled reductions – the effects of reduced banding for properties adapted for use by disabled persons.
6. Effectively chargeable – the effects of moving properties adapted for use by disabled persons into this band from the band above.
7. Adjusted chargeable dwellings – the net effect of (4) to (6) above.
8. Entitled to 25% discounts – the number of properties where a 25% discount has been granted. These include discounts attributable to sole occupancy and those properties where all but one adult in the property are disregarded for Council Tax purposes.
9. Entitled to 50% discounts – the number of properties where a 50% discount has been granted. These include discounts attributable to certain types of second home discounts and properties where all resident adults are disregarded for Council Tax purposes.
10. Long term empty property – In previous years this type of property receive a 50% discount. This was removed with effect from 1st April 2008 and no discount is currently given. This row remains in the table for information purposes.
11. Prescribed class discounts – a header row for the two classes of discount described in rows 12 and 13
12. The total number of second homes where we are obliged to award a minimum discount of 10%

13. The total number of empty furnished lets where we are obliged to award a minimum discount of 10%
14. The total number of properties without entitlement to discount and which are liable for full council tax charges.
15. MOD contribution in lieu – Ministry of Defence properties are exempt from Council Tax and are included in row (3). However, the MOD makes a contribution in lieu of Council Tax which is entered in this row.
16. Total equivalent dwellings – The equivalent number of properties in the Taxbase after taking into account the effect of all forms of discount or exemption.
17. Ratio to Band D – statute defines the relationship between bands in terms of 9ths of a band D.
18. Band D equivalent – conversion of the above net effects of an equivalent of Band D.
19. Taxbase– the total equivalent number of properties from each band.