

## PLYMOUTH CITY COUNCIL

**Subject:** Council Tax Base Setting

**Committee:** Cabinet

**Date:** 15 January 2013

**Cabinet Member:** Councillor Lowry

**CMT Member:** Adam Broome (Director for Corporate Services)

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**Ref:** REV/MC

**Key Decision:** No

**Part:** I

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### **Purpose of the Report:**

The report provides Members with a Council Tax-base for Tax Setting purposes in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 as amended by SI 2003/3181.

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### **Corporate Plan 2012-2015:**

The correct calculation of the Council Tax base will ensure the Council maximises its financial resources to meet its corporate priorities.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

A collection rate of 97.5% has been used in calculating the Council Tax-base.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:**

None

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### **Recommendations & Reasons for recommended action:**

The City Council is recommended to approve the Council Tax Base for 2013/14 Tax Setting as 66,958 Band D equivalents, which is the tax base after allowing for an estimated collection rate of 97.5%.

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**Alternative options considered and reasons for recommended action:**

Not applicable – calculation of the tax base is a statutory function.

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**Background papers:**

Calculation of Council Tax Base Return to CLG (CTBI)

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**Sign off:**

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|---|---------------------|-----|------------|----|--|--------------|--|----|--|---------------|--|
| Fin   | DJNI<br>213.0<br>23 | Leg | TH00<br>70 | HR |  | Corp<br>Prop |  | IT |  | Strat<br>Proc |  |
| Originating SMT Member Malcolm Coe                                |                     |     |            |    |  |              |  |    |  |               |  |
| Have you consulted the Cabinet Member(s) named on the report? Yes |                     |     |            |    |  |              |  |    |  |               |  |

## **I INTRODUCTION**

- 1.1 The Local Government Finance Act 1992 (amended 2003) establishes arrangements for the setting of Council Taxes. The arrangements include the valuation of the Council Tax-base for tax setting for which a Council resolution is necessary. The result must be notified to Devon County Council, the Police Authority and the combined Fire Authority by the 31 January. Although Devon no longer precepts upon Plymouth, the cost of certain joint services are shared on the Council Tax Base and the County will need to be informed of the figures.
- 1.2 Regulations require the Council to determine its Tax Base for Council Tax purposes for 2013/14 during the period 1 December 2012 to 31 January 2013 prior to the financial year within which it will be effective. The level of Council Tax subsequently set must use this base figure. A Tax Base calculation is provided in Appendix A for an appropriate decision to be made.
- 1.3 The calculation of the Tax base now includes the impact of the new Council Tax Support Scheme which significantly reduces income from Council Tax which is then offset, in part, by a new Council Tax Support Grant. The proposed Council Tax Support scheme is being considered elsewhere on this agenda and this report has been written on the basis that the scheme is approved as set out within the report.
- 1.4 The Council is also proposing a number of technical changes to the tax base which will generate additional council tax income to support the Council during this challenging financial climate.

## **2. PURPOSE OF THE REPORT**

- 2.1 The purpose of this report is to present the Cabinet with the calculation of the Council Tax-base of 66,958 for tax setting for the financial year 2013/14. For purposes of comparison, the Council Tax-base for tax setting in the financial year 2012/13 was 77,271.

## **3 BACKGROUND**

- 3.1 For the setting of the Tax Base for 2012/13 there are significant changes in both the components of the Tax Base as well as its calculation. These arise from changes to existing regulations in relation to exemptions and discounts and new legislation, specifically the introduction of a Council Tax Reduction scheme to be known as Council Tax Support which will replace Council Tax Benefit.
- 3.2 The impact of this change is that Council Tax Support will reduce the Tax Base and will therefore reduce the level of Council Tax income to the Council. This reduction will be met in part by the new Council Tax Support Grant.

## **4 TAX-BASE CALCULATIONS**

- 4.1 The Council is required by 31<sup>st</sup> January to establish a base figure for the purpose of setting the level of Council Tax each year – the Tax Base. The calculation of this figure is prescribed by the Local Authorities (Calculation of Tax Base) (England) Regulation 2012.

- 4.2 The regulations require this calculation to be made between 1<sup>st</sup> December 2012 and 31<sup>st</sup> January 2013. For the year commencing 1<sup>st</sup> April 2013 these will be the major precepting authorities of Devon and Cornwall Police Authority, Devon and Somerset Fire and Rescue Authority and Plymouth City council.
- 4.3 Tax-base figures are calculated by the billing authority as the aggregate of the "relevant amounts" calculated for each property valuation band (now including the impact from Council Tax Support scheme) multiplied by the estimated "collection rate" for the year.
- 4.4 Relevant amounts are:
- (a) the number of chargeable dwellings in that band shown in the valuation list as it stands on the relevant day.
  - (b) the number of discounts, disabled reductions and exemptions which apply to those dwellings on the relevant day;
  - (c) estimated changes in (a) and (b) above between the relevant day and the last day of the charging period to which the estimate applies;
  - (d) impact of the Council Tax Support scheme which is linked to claimants, is converted to an equivalent number of dwellings per band by dividing the estimated cost per band of the reductions divided by the estimated Council Tax for that band;
  - (e) the number of band D equivalents within each different band.
  - (f) the relevant day is 30 November in the financial year preceding that for which the relevant amounts are calculated.
- 4.5 The collection rate for the year is the Billing Authority's estimate of the total amounts of Council Tax, which will ultimately be paid or transferred into the collection fund.
- 4.6 A summary of the actual calculation of the 2013/14 Council Tax Base for Plymouth is contained in Appendices to this report. Appendix A shows the tax base calculation, Appendix B shows the tax base used for the previous three years for comparison.
- 4.7 This report assumes a collection rate for Council Tax of 97.5%. This is a reduction of 1% against previous years to allow for the impact of Welfare Reform changes which are likely to impact on the Council's ability to collect Council Tax at current levels.

## **5 TECHNICAL ADJUSTMENTS**

- 5.1 Within the Tax Base calculation there are a number of exemptions and discounts for certain categories of dwellings. Some of these are set by central government and some the Council has discretion over.
- 5.2 The Local Government Finance Act 2012 (and the relevant regulations) introduced some changes to both the classification of dwellings and discounts and gave greater freedoms for Councils to alter the discount rate applicable on various classes of Council Tax dwellings.

- 5.3 In relation to discounts for second homes (prescribed class A and B) it is proposed to remove the current 10% discount to nil. This change is permitted under Local Government Finance Act 2012 (s10). A second home is a dwelling owned by an individual who also has their main residence at a property elsewhere.
- 5.4 The Council Tax (Exempt Dwellings) (England)(Amendment) Order 2012 (SI 2965) removes two categories of exempt dwellings
- Class A - vacant dwellings where major repair works or structural alterations are required, under way or recently completed
  - Class C - vacant dwelling i.e. empty and substantially unfurnished for less than six months.

Both Class A and C were exempt from Council tax, but are now chargeable for Council Tax as defined by the Council tax (Prescribed Classes of Dwellings)(England) (Amendment) Regulations 2012 (SI 2964). The Local Government Finance Act 2012 states that a billing authority may specify the rate of these discounts to be between 0% and 100%.

- 5.5 It is proposed to set the discounts as follows:
- A 50% discount for Class D (formally Class A) properties. These properties are empty as they are undergoing major repair of other structural works.
  - A 100% discount for a period of one month for Class C dwellings. These properties are unoccupied and substantially unfurnished. After one month the full Council Tax charge will become due.
- 5.6 The Act (s11) also states that a billing authority may apply a premium to long term empty dwellings of up to 50% of the Council tax for that property. It is proposed that the full 50% levy will be charged on properties that have been empty over two years.
- 5.7 The proposed changes to the current exemptions described above require approval and a separate report has been submitted for Full Council approval.
- 5.8 The Tax Base report includes the proposals for the technical reform changes in its calculations.

## **6 COUNCIL TAX SUPPORT GRANT**

- 6.1 The Council will receive a Council Tax Support grant from 2013/14 to fund a Council tax Support scheme. This grant reflects the 10% funding reductions that the Government have set for Councils in moving to the new scheme and will be merged in to the Revenue Support Grant. An estimate of this has been included in the Council's budget proposals for 2013/14.



**APPENDIX B**

**Tax Base and collection rates used for previous three years.**

| Year                                 | 2012/2013         |                           |                             | 2011/2012         |                           |                             | 2010/2011         |                           |                             |
|--------------------------------------|-------------------|---------------------------|-----------------------------|-------------------|---------------------------|-----------------------------|-------------------|---------------------------|-----------------------------|
| Band                                 | No. of properties | Estimated collection rate | Adjusted Band D equivalents | No. of properties | Estimated collection rate | Adjusted Band D equivalents | No. of properties | Estimated collection rate | Adjusted Band D equivalents |
| A                                    | 46,363            | 98.5%                     | 24,443                      | 46,395            | 98.5%                     | 24,500                      | 46,215            | 98.5%                     | 24,553                      |
| B                                    | 30,914            | 98.5%                     | 19,901                      | 30,600            | 98.5%                     | 19,766                      | 30,477            | 98.5%                     | 19,666                      |
| C                                    | 21,734            | 98.5%                     | 16,580                      | 21,631            | 98.5%                     | 16,553                      | 21,520            | 98.5%                     | 16,444                      |
| D                                    | 8,903             | 98.5%                     | 7,683                       | 8,823             | 98.5%                     | 7,626                       | 8,758             | 98.5%                     | 7,585                       |
| E                                    | 4,493             | 98.5%                     | 4,836                       | 4,476             | 98.5%                     | 4,838                       | 4,467             | 98.5%                     | 4,863                       |
| F                                    | 1,675             | 98.5%                     | 2,192                       | 1,665             | 98.5%                     | 2,160                       | 1,662             | 98.5%                     | 2,168                       |
| G                                    | 567               | 98.5%                     | 761                         | 560               | 98.5%                     | 759                         | 560               | 98.5%                     | 744                         |
| H                                    | 58                | 98.5%                     | 32                          | 58                | 98.5%                     | 31                          | 59                | 98.5%                     | 35                          |
| Totals                               | 114,707           |                           | 76,128                      | 114,208           |                           | 76,233                      | 113,718           |                           | 76,058                      |
| Plus adjustment for MOD Contribution |                   |                           | 843                         |                   |                           | 833                         |                   |                           | 841                         |
| <b>TAX BASE TOTALS</b>               |                   |                           | <u>77,271</u>               |                   |                           | <u>77,066</u>               |                   |                           | <u>76,899</u>               |