

Cabinet – 16 January 2013

Calculation of Council Tax Base 2013/14

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

- 1.1. To detail the calculation of the Council Tax Base for 2013/2014 and to seek approval to recommend to Council the Council Tax Base for 2013/2014 in accordance with the Local Government Finance Act 1992 as amended by Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012.

2. Description of Decision

Cabinet is recommended to recommend to Council:

- 2.1. The report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2013/2014 be approved.
- 2.2. That pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 and the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2012, the amount calculated by Sunderland City Council as its Council Tax Base for the year 2013/2014, shall be £64,094 and for the area of Hetton Town Council shall be £3,122.

3. Background to the Calculation of the Council Tax Base

- 3.1 The Council Tax Base is the estimated number of properties in each valuation band adjusted to take account of the estimated number of discounts, disregards and exemptions. The Council levies a Council Tax on the basis of properties in band D and thus the numbers for each valuation band are adjusted to the proportion which their number is to band D. The Council must then estimate its level of collection for the year and apply this figure to arrive at the Council Tax Base figure.
- 3.2 The Council Tax Base must be calculated for both the Billing Authority and for the Hetton Town Council (a local parish precept). The Billing Authority Tax Base will be used to calculate the Council Tax for the City Council and as the basis for the major precepting authorities (Northumbria Police Authority and Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.
- 3.3 Under the Council Tax (Reductions for Disabilities) Regulations 1992 properties adapted to meet the needs of a disabled person are charged at a rate equal to the next lowest valuation band. For instance a qualifying band C property would be charged at the band B rate. This lower band is described as the 'alternative valuation band'. Prior to 1st April 2000 properties already in band A could not qualify for any disabled reduction as there was not a lower band to be charged at. From the 1st April 2000, however, the regulations were amended to introduce an

additional 'alternative valuation band' (below band A) to allow band A properties to qualify for a disabled reduction. Instead of paying the normal band A charge (six-ninths of the band D charge) a qualifying band A property is now charged at five-ninths of the band D charge. For the purpose of the Council Tax Base calculation it is necessary to show Band A properties which qualify for disabled reduction as if it was an additional valuation band. In this report the 'additional' valuation band is shown as either (A) or Disabled (A).

3.4 There are two major legislative changes that impact on the calculation of the Tax Base calculations from 2013/2014 as they become effective on 1st April 2013. These relate specifically to:

- Technical adjustments to Council Tax Discounts and Exemptions
- Localisation of Council Tax Benefit Scheme (LCTBS)

Both of these areas have been covered in detail in separate reports elsewhere on today's agenda, and the implications of both reports impact directly on the Council Tax Base calculations in accordance with the amended regulations.

3.5 The Technical adjustments have a positive impact on the Tax Base calculations and are accommodated within existing calculations.

3.6 The introduction of the LCTBS from 1st April 2013, however, has a major impact on the Tax Base calculations for 2013/2014 which will see a significant reduction in the council tax base compared to previous years. This has been estimated as equivalent to a reduction of 18,839 Band D properties. This is because the new scheme, which replaces council tax benefit, is treated as a council tax discount in the new calculations (Item Z referred to as the Council Tax Reduction Scheme) and is based on the scheme approved by the council. The Tax Base thus includes the full implications of the LCTB scheme to be implemented.

The Government will still provide grant funding known as Council Tax Support Grant but this is included within the Council's Revenue Support Grant allocation for 2013/2014 and reflects the 10% national funding reduction imposed through the new arrangements.

4. Calculations of the Billing Authority's Council Tax Base

4.1 This calculation is in two parts – 'A' - the calculation of the estimated adjusted band D properties and 'B' - the estimated level of collection.

4.2 The calculation of 'A' - the relevant amounts for each band is complex and includes a number of calculations which are shown at Appendix 1.

4.3 The relevant amounts 'A' as calculated in Appendix 1 are shown below:

BAND	RELEVANT AMOUNT	
	'A'	
	£	p
Disabled (A)		90.83
A	29,638.21	
B	10,482.10	
C	12,219.61	
D	7,350.80	
E	3,304.33	
F	1,377.87	
G	914.68	
H		<u>23.50</u>
		<u>65,401.93</u>

4.4 Calculation of Item 'B' - Estimate of Collection Rate

This element of the formula is to reflect the level of collection anticipated. Last year an anticipated collection rate of 98% was assumed. On the basis of current collection levels it is suggested that the collection rate should remain at 98% for 2013/2014.

4.5 Calculation of Council Tax Base

The Council's Tax Base is therefore: 'A' £65,401.93 x 'B' 98% = £64,093.89

Appendix 2 shows, for Members information, the Tax Base for each property band.

5. Calculation of Council Tax Base for Hetton Town Council - Local Precept

5.1 The rules for calculating the Council Tax Base for the area covered by Hetton Town Council are similar to those used in calculating the Billing Authority's Tax Base. These detailed calculations are shown in Appendix 3.

5.2 The amounts calculated for each band are shown below:

BAND	RELEVANT AMOUNT	
	'A'	
	£	p
Disabled (A)		6.81
A	1,829.71	
B	619.93	
C	354.84	
D	208.34	
E	95.71	
F	51.28	
G	18.33	
H		<u>1.00</u>
		<u>3,185.95</u>

- 5.3 The same collection rate is required to be used for Parish precepts as for the Billing Authority. The Tax Base for Hetton Town Council is therefore:

$$\begin{aligned} & \text{'A' x 'B' (where 'B' is the estimated collection rate)} \\ & \text{£3,185.95 x 98\% = £3,122.23.} \end{aligned}$$

Appendix 2 shows, for Members information, the Tax Base for each property band.

6. Reasons for Decision

- 6.1 To comply with statutory requirements.

7. Alternative Options

- 7.1 No alternative options are proposed.

8. Impact Analysis

- 8.1 There are no implications.

9. List of Appendices

Appendix 1 - Calculation of the Billing Authority's Council Tax Base

Appendix 2 - Council Tax Base - City of Sunderland

Appendix 3 - Calculation of Council Tax Base For Hetton Town Council - Local Precept

Calculation of the Billing Authority's Council Tax Base

- 1.1 Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (S.I. 1992 No. 612) and amended by (S.I. 2012 No. 2914) states that a Billing Authority's Council Tax Base for a financial year shall be calculated by applying the formula -

$$'A' \times 'B'$$

Where 'A' is the total of the relevant amounts for each of the Valuation Bands which are shown or likely to be shown in the Authority's Valuation List as at 30 November in the year prior to the year in question and where 'B' is the Authority's estimate of its collection rate for that year.

- 1.2 As stated above the Council is required to approve the calculation of both items 'A' and 'B' in arriving at its Tax Base.

Calculation of Item 'A' - relevant amounts for each Valuation Band:

- a) Regulation 5 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, states that item 'A' should be calculated by applying the following formula:

$$((H - Q + E + J) - Z) \times (F/G)$$

- where H = number of chargeable dwellings
 Q = is a factor to take account of discounts of Council Tax payable. It is calculated as $Q = (R \times S)$
 R = number of discounts estimated to be payable in respect of these dwellings
 S = the percentage relating to each discount classification
 E = is a factor to take account of premiums to be added to the Council Tax Base
 J = adjustment (whether positive or negative) in the numbers of dwellings or discounts during the period
 Z = the amount that the authority estimates will be applied in respect of the Council Tax reduction scheme
 F = the relevant prescribed proportions for each Band
 G = the relevant prescribed proportion for Band D

- b) The calculation of each of the above items is, where appropriate, to be made in accordance with paragraph 2-13 of Regulation 4 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012. The different items are to be calculated as follows:

Item H - the number of chargeable dwellings is the sum of:

The number of dwellings listed in each Band in the copy of the Valuation List on the relevant day less an estimate of the number of such dwellings which were exempt on that day.

Item Q – a factor to take account of the discounts to which the amount of Council Tax payable was subject to on the relevant day. It is calculated by taking the aggregate of amounts found by multiplying, for each different relevant percentage, R by S, where:

Item R – the number of dwellings for which the amount of Council Tax payable for the relevant day was reduced. For 2013/2014 the following reductions are to be applied:

- a) Single Person Discount – awarded to properties with only one adult resident
- b) Single Disregard – awarded to properties in which all but one resident has been disregarded
- c) Double Disregard – awarded to properties in which all residents have been disregarded
- d) Class A Discount – Awarded to properties that cannot be occupied throughout the year (for example beach huts) – there are currently no such properties within the city area
- e) Class B Discount – awarded to furnished, unoccupied properties
- f) Class BE Discount – awarded to properties left furnished and unoccupied because the Council Tax payer is working away from home
- g) Class C Discount 1 – awarded to substantially unfurnished properties vacant for less than one month
- h) Class C Discount 2 – awarded to substantially unfurnished properties vacant for more than one month, for a maximum period of 6 months
- i) Class C Discount 3 – awarded to substantially unfurnished properties vacant for more than 6 months
- j) Class D Discount - awarded to vacant properties requiring or undergoing structural alteration or major repair, for a maximum period of 12 months
- k) Class E Discount - awarded to members of the armed forces living in accommodation provided by the Secretary of State
- l) Class F Discount – awarded to annexes forming part of a single property which the resident is using as their sole or main residence

Item S - the relevant percentage. For 2012/2013 the relevant percentage is as follows:

- | | | |
|---------------------------|---|---------------|
| a) Single Person Discount | - | 25% |
| b) Single Disregard | - | 25% |
| c) Double Disregard | - | 25% x 2 (50%) |

d) Class A Discount	-	0%
e) Class B Discount	-	0%
f) Class BE Discount	-	50%
g) Class C Discount 1	-	100%
h) Class C Discount 2	-	25%
i) Class C Discount 3	-	0%
j) Class D Discount	-	25%
k) Class E Discount	-	50%
l) Class F Discount	-	0%

The relevant percentage for items a) to c) above, is calculated in accordance with Section 11 Local Government Finance Act 1992. The relevant percentage for item d) to f) is calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, and Section 11A of the Local Government Finance Act 1992. The relevant percentage for items g) to l) is calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2012, Section 11A of the Local Government Finance Act 1992 and the Local Government Finance Act 2012.

Item E – The amount of any additional premium charged on all long term empty properties which have remained unoccupied for a period of greater than 2 years. The amount of the premium is 50% of the amount of the Council Tax charge for that property. This will mean that properties are charged at a 150% rate.

Item J - the amount of any adjustment in respect of this item is equal to an estimate of dwellings not listed in H above but which will be listed during part or all of the year less an estimate of the number of dwellings listed in H above but which will not be listed for all or part of the year.

Item Z - the amount of support provided under the Council Tax reduction scheme. This is the scheme which is replacing Council Tax benefit. The support is shown as a discount and the reduction in the base is equivalent to the level of Council Tax that will not be collected because of awards made under the Council Tax reduction scheme

Item F - the relevant prescribed proportions for each band are set out in Section 5 of the Local Government Finance Act 1992 as follows:

Band	(A)	A	B	C	D	E	F	G	H
Proportion	5	6	7	8	9	11	13	15	18

Item G - the relevant prescribed proportion for Band D is 9 (as above).

c) The calculation $((H - Q + E + J) - Z) \times (F/G)$

The results of these calculations are shown below.

1.3 Tax Base Calculation $((H - Q + E + J) - Z) \times (F/G)$

	Disabled Band(A)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	174	77490	16726	15650	7932	2887	994	600	18
Item Q	10.5	9280.84	1336.92	1016	382.50	128.51	47.53	45.39	6.25
Item E	0	249.50	36	33	18.50	7.5	2.5	2.5	0
Item J	0	-80	105	105	49	8	18	-1	0
Item Z	0	23921.35	2053.10	1024.94	266.20	70.45	13.06	7.30	0
Item F	5	6	7	8	9	11	13	15	18
Item G	9	9	9	9	9	9	9	9	9

1.4 Applying the figures in section 1.3 to the calculation $((H - Q + E + J) - Z) \times (F/G)$ produces a relevant amount for each Valuation Band - Item A in Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 as follows:

BAND	RELEVANT AMOUNT
	'A'
	£ p
Disabled (A)	90.83
A	29,638.21
B	10,482.10
C	12,219.61
D	7,350.80
E	3,304.33
F	1,377.87
G	914.68
H	23.50
	<u>65,401.93</u>

Council Tax Base - City of Sunderland

Band	Item 'A'		Item 'B'	Tax Base	
	£	p		'A' x 'B'	£
(A)		90.83	98		89.01
A	29,638.21		98	29,045.45	
B	10,482.10		98	10,272.46	
C	12,219.61		98	11,975.22	
D	7,350.80		98	7,203.78	
E	3,304.33		98	3,238.24	
F	1,377.87		98	1,350.31	
G	914.68		98	896.39	
H	23.50		98	23.03	
	<u>65,401.93</u>			<u>64,093.89</u>	

Council Tax Base - Hetton Town Council

(A)	6.81		98	6.67	
A	1,829.71		98	1,793.12	
B	619.93		98	607.53	
C	354.84		98	347.74	
D	208.34		98	204.17	
E	95.71		98	93.80	
F	51.28		98	50.25	
G	18.33		98	17.96	
H	1.00		98	0.98	
	<u>3,185.95</u>			<u>3,122.23</u>	

Calculation of Council Tax Base For Hetton Town Council - Local Precept

1.1. The rules for calculating the Council Tax Base for any part of a Billing Authority's area (e.g. Local Parish) are the same as the rules contained in Appendix 1 except that chargeable dwellings and discounts are to be taken for only those dwellings and discounts relating to the area for which the Council Tax Base is to be calculated.

1.2. As in Appendix 1 the rules require the calculations of items 'A' and 'B'.

Item A is calculated by the formula:

$$((H - Q + E + J) - Z) \times (F/G)$$

1.3. The calculations detailed above have been carried out in respect of the Hetton Town Council for each relevant band and the result of the calculations is shown below:

1.4. Tax Base Calculation - Hetton $((H - Q + E + J) - Z) \times (F/G)$

	Disabled Band (A)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	13	4785	939	430	215	84	38	13	1
Item Q	0.75	643.42	74.39	25.85	10.59	5.75	2.50	2	0.50
Item E	0	29.50	2.50	1	0.50	0.50	0	0	0
Item J	0	-5	5	10	11	2	0	0	0
Item Z	0	1421.52	75.06	15.96	7.57	2.44	0	0	0
Item F	5	6	7	8	9	11	13	15	18
Item G	9	9	9	9	9	9	9	9	9

1.5 Applying the figures in section 1.4 to the calculation $((H - Q + E + J) - Z) \times (F/G)$ produces a relevant amount for each Valuation Band - Item A in Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003 as follows:

BAND	RELEVANT AMOUNT
	'A'
	£ p
Disabled (A)	6.81
A	1,829.71
B	619.93
C	354.84
D	208.34
E	95.71
F	51.28
G	18.33
H	1.00
	<u>3,185.95</u>