

CABINET MEETING – 11th January 2012

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Council Tax Base 2012/2013

Author(s):

Executive Director of Commercial and Corporate Services

Purpose of Report:

To detail the calculation of the Council Tax Base for 2012/2013 and to seek approval to recommend to Council the Council Tax Base for 2012/2013 in accordance with the Local Government Finance Act 1992.

Description of Decision:

Cabinet is recommended to recommend to Council:

The report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2012/2013 be approved.

That pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended by Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 the amount calculated by Sunderland City Council as its Council Tax Base for the year 2012/2013, shall be £81,202, and for the area of Hetton Town Council shall be £4,130.

Is the decision consistent with the Budget/Policy Framework?

Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To comply with statutory requirements.

Alternative options to be considered and recommended to be rejected:

None.

Is this a “Key Decision” as defined in the Constitution?

Yes

Relevant Scrutiny Committee:

Management

Is it included in the Forward Plan?

Yes

Cabinet – 11th January 2012

Council Tax Base 2012/2013

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 2012/2013 and to seek approval to recommend to Council the Council Tax Base for 2012/2013 in accordance with the Local Government Finance Act 1992.

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 2012/2013 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 2003, the amount calculated by Sunderland City Council as its Council Tax Base for the year 2012/2013, shall be £81,202, and for the area of Hetton Town Council shall be £4,130.

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 to provide a band D equivalent number. 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 is also used by 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. From the 1st April 2000, 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 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 the disabled reduction as if it was an additional valuation band. In the report the 'additional' valuation band is shown as either (A) or Disabled (A).
- 3.4.1 Section 75 of the Local Government Act 2003 and the subsequent Regulations; the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 gives local authorities the powers to reduce the 50% Council Tax discount on long term empty properties and second homes. With effect from 1 April 2012, it is proposed that there will be no discount offered to long term empty properties and that the discount offered to second homes will be reduced from 50% to the statutory minimum allowance of 10%. A separate report is on this agenda detailing these proposed changes and will put the Council in line with the majority of other Local Authorities in the region.
- 3.4.2 The Council Tax base has gone up by £1,035 Band D equivalents. Most of the increase is as a result of the reduction in discounts for long term and empty homes with the the remainder due to net new build.

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	'A' - RELEVANT AMOUNT
	£ p
Disabled (A)	98.61
A	44,860.97
B	11,851.54
C	12,908.98
D	7,492.50
E	3,351.46
F	1,349.33
G	919.75
H	25.80
	<u>82,858.94</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 2012/2013.

4.5 Calculation of Council Tax Base

The Council's Tax Base is therefore: 'A' x 'B' = £82,858.94 x 98% = £81,201.76 (for comparison, the tax base for the current year is £80,166.81).

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	'A' - RELEVANT AMOUNT	
	£	p
Disabled (A)		7.50
A	2,815.10	
B	660.99	
C	363.69	
D	202.15	
E	95.94	
F	51.49	
G	16.67	
H		1.00
		<u>4,214.53</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:

'A' x 'B' (where 'B' is the estimated collection rate) = £4,214.53 x 98% = £4,130.24. (for comparison, the tax base for the current financial year is £4,016.89)

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

6. Background Papers

Working papers on individual Tax Band calculations.
Statutory Instrument 2003 No. 3012
Council Tax Base Report 2011/2012

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. 2003 No. 3012) 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:

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

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
J = adjustment (whether positive or negative) in the numbers of dwellings or discounts during the period
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 2-11 of Regulation 5 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003. 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 2012/2013 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) Second Homes – awarded to all furnished, unoccupied properties

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) Second Homes - 10% (reduced from 50%)
- e) Long Term Empty properties - 0% (reduced from 50%)

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 items d) and e) are calculated in accordance with the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, and Section 11A of the Local Government Finance Act 1992 and represent the statutory minimum levels applicable.

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

The results of these calculations are shown below.

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

	Disabled Band Band (A)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	190	76,356	16,370	15,464	7,839	2,856	976	593	19
Item Q	12.5	9,024.55	1262.3	981.4	374.5	125.9	49.85	41.15	6.6
Item J	0	-40	130	40	28	12	8	0	0.5
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 $(H - Q + J) \times (F/G)$ 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)	98.61
A	44,860.97
B	11,851.54
C	12,908.98
D	7,492.50
E	3,351.46
F	1,349.33
G	919.75
H	25.80
	<u>82,858.94</u>

Appendix 2

Council Tax Base - City of Sunderland

Band	Item 'A'		Item 'B'	Tax Base 'A' x 'B'	
	£	p		%	£
(A)		98.61	98		96.64
A	44,860.97		98	43,963.75	
B	11,851.54		98	11,614.51	
C	12,908.98		98	12,650.80	
D	7,492.50		98	7,342.65	
E	3,351.46		98	3,284.43	
F	1,349.33		98	1,322.34	
G	919.75		98	901.36	
H	25.80		98	25.28	
	<u>82,858.94</u>			<u>81,201.76</u>	

Council Tax Base - Hetton Town Council

(A)	7.50		98	7.35	
A	2,815.10		98	2,758.80	
B	660.99		98	647.77	
C	363.69		98	356.42	
D	202.15		98	198.10	
E	95.94		98	94.02	
F	51.49		98	50.46	
G	16.67		98	16.34	
H	1.00		98	0.98	
	<u>4,214.53</u>			<u>4,130.24</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:

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

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

	Disabled Band	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Item H	14	4,750	903	420	209	81	38	12	1
Item Q	0.5	534.35	60.15	22.85	9.85	5.5	2.35	2	0.5
Item J	0	7	7	12	3	3	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 $(H - Q + J) \times (F/G)$ 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)	7.50
A	2,815.10
B	660.99
C	363.69
D	202.15
E	95.94
F	51.49
G	16.67
H	1.00
	<u>4,214.53</u>

