

CABINET – 16 JANUARY 2019

COUNCIL TAX BASE 2019/2020

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1. To detail the calculation of the Council Tax Base for 2019/2020 and to seek approval to recommend to Council the Council Tax Base for 2019/2020 in accordance with the Local Government Finance Act 1992 as amended by Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 1.2. To provide details of the additional legislative Empty Homes Premium which billing authorities may charge and seek approval to implement such changes locally.
- 1.3. To clarify the criteria for eligibility to Class C and Class D Discounts which were approved by Cabinet in January 2013, effective from April 2013.

2. Description of Decision

2.1 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 2019/2020 be approved.
- 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) (England) Regulations 2012, the amount calculated by Sunderland City Council as its Council Tax Base for the year 2019/2020, shall be 70,389 and for the area of Hetton Town Council shall be 3,786.

2.2 Additionally, Cabinet is recommended to:

- agree to the application, from 1st April 2019, of the additional 'Empty Homes Premium' consistent with legislative changes set out in The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 as set out in paragraph 6.3; and
- Agree to the clarification of the criteria for eligibility to Class C and Class D Discounts which were approved by Cabinet in January 2013, and effective from April 2013 as set out in section 7.

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 Hetton Town Council (a local parish precept). The Billing Authority's Tax Base will be used to calculate the Council Tax for the City Council (including any social care precept) and as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.
- 3.3 The introduction of the Local Council Tax Benefit Scheme from 1st April 2013 means that the council must approve annually its proposed Council Tax Support scheme. The impact of the scheme is recognised within the calculations as a council tax discount which is referred to as Item Z. The proposed 2019/2020 Scheme is set out elsewhere on today's agenda. The Tax Base of the Council for 2019/2020 includes the full impact of the Scheme as required by the regulations.
- 3.4 The Council Tax Base has increased from last year by 398. The increase is primarily due to the number of new homes built across the city over the last year and the anticipated number of new homes expected to be built over the next year.

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 Calculation of Item 'B' - Estimate of Collection Rate

This element of the formula is to reflect the level of collection anticipated. Following consideration of historic and current collection levels of both in year debit and arrears collection, and the overall favourable collection fund position, it is proposed to continue applying 98.5% in 2019/2020.

- 4.4 Calculation of Council Tax Base

The Council's Tax Base is: 'A' 71,460.91 x 'B' 98.5% = 70,389
(for comparison the previous years Tax Base was 69,991)

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 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. These detailed calculations are shown in Appendix 1.
- 5.2 The same collection rate is required to be used for Parish precepts as for the Billing Authority.

5.3 Calculation of Council Tax Base

The Tax Base for Hetton Town Council is: 'A' 3,843.67 x 'B' 98.5% = 3,786.01 (for comparison the previous years Tax base was 3,711.21).

6. Council Tax Empty Property Premium

6.1 Billing authorities in England, Scotland and Wales have the power to increase council tax on properties which have been 'unoccupied and substantially unfurnished' for a long period of time. This is known as the 'empty homes premium'. In England, billing authorities can currently charge up to 150% (i.e. 50% extra) on properties which have been unoccupied and substantially unfurnished for over two years. Cabinet approved the application of this premium in January 2013 effective from 1st April 2013.

6.2 At the November 2017 Budget, the Chancellor announced the Government's intention to legislate to bring the maximum in England up to 200% (i.e. 100% extra). The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 brought in this power with effect from the 2019/20 financial year and included additional provisions covering properties that were empty for very long periods. The Act provides for maximum additional rates of:

- 100% extra (for properties empty for 2-5 years) [commencing 1st April 2019]
- 200% extra (for properties empty for 5-10 years) [commencing 1st April 2020]
- 300% extra (for properties empty for 10+ years) [commencing 1st April 2021]

6.3 It is intended, subject to Cabinet approval, to apply the above premiums in accordance with the effective dates set out in the legislation. Therefore:

For the financial year beginning 1st April 2019 the additional premium is 100% for properties that have been empty for at least two years.

For the financial year beginning 1st April 2020 the additional premiums shall be:

- 100% for properties that have been empty for at least two years; and
- 200% for properties that have been empty for at least five years or more.

For the financial year beginning 1st April 2021 the additional premiums shall be:

- 100% for properties that have been empty for at least two years;
- 200% for properties that have been empty for at least five years but less than ten years; and
- 300% for properties that have been empty for at least ten years.

7. Council Tax Class C and Class D Discounts

7.1 The application of council tax discounts was approved by Cabinet in January 2013 and effective from 1st April 2013. In order to assist with the administration of the discounts it is proposed to clarify the criteria.

7.2 The proposed Class C Discount criteria to be clarified as follows:

- 7.2.1 A discount may be awarded on any property that falls within the definition of a Class C property under regulation 7 of the Council Tax (Prescribed Classes) (England) Regulations 2003 (as amended). A Class C property is a dwelling that is unoccupied and substantially unfurnished.
- 7.2.2 A discount of 25% will be awarded from the day the property first becomes unoccupied and unfurnished for a single, continuous period of up to six months. The discount period will end upon the property ceasing to fall within Class C, upon a discount being awarded under a different Class or upon the expiry of six months, whichever first occurs.
- 7.2.3 If you buy or rent a property that is already unoccupied and unfurnished, the discount period does not start again when you acquire it, as it applies to the property and not the individual.
- 7.2.4 Alternatively, a discount of 100% will be awarded in respect of any property which is reoccupied within one calendar month of it first becoming unoccupied and substantially unfurnished.
- 7.2.5 A property that has been awarded a discount under Class C will not be eligible for a further Class C discount unless it has been occupied for a continuous period of six weeks or more following the end of the previous discount period.

7.3 The proposed Class D Discount criteria to be clarified as follows:

- 7.3.1 A discount may be awarded on any property that falls within the definition of a Class D property under regulation 8 of the Council Tax (Prescribed Classes) (England) Regulations 2003 (as amended). A Class D property is a dwelling that is unoccupied and substantially unfurnished and either;
 - a) Requires or is undergoing major repair work to render it habitable, or
 - b) Is undergoing structural alteration, or
 - c) Has undergone major repair work to render it habitable if less than six months have elapsed since the date on which the alteration was substantially completed and the property has continuously remained vacant since that date.

Provided that it has not been such a dwelling for a continuous period of 12 months or more.

- 7.3.2 A discount of 25% will be awarded from the day the property first meets the above criteria for a single continuous period of up to 12 months. The discount period will end upon the property ceasing to fall within Class D or upon the expiry of twelve months, whichever first occurs.
- 7.3.3 The discount period does not start again with any change of ownership, as it applies to the property and not the individual.
- 7.3.4 In considering whether a property has been vacant for any period, any one period, not exceeding six weeks, during which it was not vacant will be disregarded.

- 7.3.5 A long-term empty property that is subject to a Premium will not be eligible for any discount.

8. Reasons for Decision

- 8.1 To comply with statutory requirements, in respect of setting the council tax base.
- 8.2 To implement the additional empty homes premium permitted within national legislation in order to encourage empty homes to be brought back into use.
- 8.3 To ensure the that the criteria for eligibility to Class C and Class D Discounts are clear and consistent.

9. Alternative Options

- 9.1 With regard to Council tax premiums, there was an option available to leave the level of premium at 50% for financial year 2019/20 and beyond. However the council recognises that increasing the level of the premium over the next three years is likely to accelerate the rate at which unoccupied properties are either sold on or brought back in to use.

10. Impact Analysis

- 10.1 There are no implications.

11. List of Appendices

Appendix 1 - Calculation of the Council Tax Base

| | | | | | | | | | | | Appendix 1 |
|--|--------|----------------------|-----------|-----------|-----------|----------|----------|----------|--------|--------|------------|
| Council Tax Base - Sunderland City Council | | | | | | | | | | | |
| | | Disabled Band (A) | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H | Total |
| Chargeable Dwellings | Item H | 183 | 77,781 | 18,190 | 16,650 | 8,745 | 3,193 | 1,064 | 633 | 19 | 126,458 |
| Total Discount | Item Q | 11.50 | 9,616.35 | 1,590.75 | 1,143.50 | 431.75 | 145.50 | 51.00 | 49.75 | 3.50 | 13,043.60 |
| Premium Factor | Item E | 0 | 205.5 | 30 | 18.5 | 5.5 | 3.5 | 2 | 1.5 | 2.5 | 269 |
| Adjustment in number of dwellings or discounts | Item J | 0 | 193.5 | 224 | 238.5 | 158.5 | 48.5 | 7 | 2.5 | 2.5 | 875 |
| Council Tax Support Estimate | Item Z | 39.60 | 20,666.33 | 1,886.16 | 758.24 | 198.09 | 51.63 | 8.76 | 6.39 | 0.00 | 23,615.20 |
| Prescribed Proportions for each Band | Item F | 5 | 6 | 7 | 8 | 9 | 11 | 13 | 15 | 18 | |
| Prescribed Proportion for Band D | Item G | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | |
| $((H-Q+E+J)-Z)*(F/G)$ | Item A | 73.28 | 31,931.55 | 11,641.07 | 13,338.01 | 8,279.16 | 3,725.17 | 1,463.57 | 968.10 | 41.00 | 71,460.91 |
| Estimated Collection Rate | Item B | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | |
| Tax Base A*B | | 72.18 | 31,452.57 | 11,466.45 | 13,137.94 | 8,154.97 | 3,669.30 | 1,441.62 | 953.58 | 40.39 | 70,389.00 |
| Council Tax Base - Hetton Town Council | | | | | | | | | | | |
| | | Disabled Band (A) | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H | Total |
| Chargeable Dwellings | Item H | 15 | 4,712 | 1,133 | 630 | 319 | 118 | 52 | 23 | 1 | 7,003 |
| Total Discount | Item Q | 1.5 | 580 | 87 | 38.75 | 16.75 | 6 | 3 | 2 | 0 | 735.00 |
| Premium Factor | Item E | 0 | 16.5 | 2 | 0 | 1.5 | 0 | 0.5 | 0 | 0 | 20.5 |
| Adjustment in number of dwellings or discounts | Item J | 0 | 12.5 | 44 | 43 | 22.5 | 3 | 1.5 | 0 | 0 | 126.5 |
| Council Tax Support Estimate | Item Z | 2.48 | 1,270.46 | 67.16 | 16.80 | 9.16 | 2.01 | 0.00 | 0.77 | 0.00 | 1,368.84 |
| Prescribed Proportions for each Band | Item F | 5 | 6 | 7 | 8 | 9 | 11 | 13 | 15 | 18 | |
| Prescribed Proportion for Band D | Item G | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | |
| $((H-Q+E+J)-Z)*(F/G)$ | Item A | 6.12 | 1,927.03 | 797.10 | 548.84 | 317.09 | 138.10 | 73.67 | 33.72 | 2.00 | 3,843.67 |
| Estimated Collection Rate | Item B | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | 98.5% | |
| Tax Base A*B | | 6.03 | 1,898.12 | 785.14 | 540.61 | 312.33 | 136.03 | 72.56 | 33.22 | 1.97 | 3,786.01 |