

COUNCIL

13 JANUARY 2011

COUNCIL TAX BASE 2011/2012

Portfolio Holder: Councillor Alan Jarrett, Finance
Report from: Mick Hayward, Chief Finance Officer
Author: Jon Poulson, Revenues and Benefits Manager

Summary

This report sets out the calculation of the Council's council tax base for 2011/2012.

1. Budget and Policy Framework

1.1 The calculation of the Council's council tax base is a statutory obligation which the Council is required to undertake, and is a necessary pre-requisite to the setting of the council tax. This is a matter for Council unless it delegates responsibility.

2. Background

2.1 The Council is required to calculate its Council Tax Base by the 31 January each year. This is used in the calculation of the Council Tax by both billing and precepting authorities. Accordingly, the figures at this meeting will be formally advised to the Kent Police Authority, Kent Fire & Rescue Service and to the Parish Councils in order to enable them to determine their precept requirements.

2.2 The council tax base is a measure of the relative taxable capacity of each area, and is the number of properties in each valuation band expressed as their band D equivalent. For every £1 of council tax charged at the band D level the Council will generate income equivalent to that of the Council Tax Base.

2.3 At the opposite extremes a band A property counts as two thirds and a band H property counts as two band D equivalents. The other bands are calculated pro rata to their statutory relationship to a band D property, as shown overleaf:

Band	Rate to Band D	Property Value Range
A	6/9	Up to £40,000
B	7/9	£40,001 to £52,000
C	8/9	£52,001 to £68,000
D	9/9	£68,001 to £88,000
E	11/9	£88,001 to £120,000
F	13/9	£120,001 to £160,000
G	15/9	£160,001 to £320,000
H	18/9	Over £320,000

N.B. Each dwelling is allocated to one of the above bands according to its open market value at **1 April 1991**.

2.4 In addition, it is necessary to make adjustments to reflect the level of statutory discounts, reductions and exemptions, and to apply an appropriate collection rate to reflect the incidence of irrecoverable council tax. The collection rate used in this instance is 98.6%. This is a minor increase to the rate that has been used since 2004 (98.5%) but reflects the historical collection rates now being achieved and the table below demonstrates the collection achieved over the last five years. The outstanding balances in all cases are still subject to recovery action and indeed, whilst small, we are still collecting arrears from pre Medway formation.

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000's	£000's	£000's	£000's	£000's
Collectable Debit	78,711	83,054	87,305	92,078	95,762
The amount of each year's debit that was collected in the same year	94.3%	95.1%	96.1%	95.4%	95.6%
Balance Outstanding at 31st March that year	4,487	4,079	3,387	4,229	4,215
The amount of each year's debit that was collected by 31st March 2010	98.6%	98.5%	98.3%	97.3%	95.6%
Balance Outstanding as at 31 March 2010	403	607	930	1,996	4,215
Cumulative Arrears at end of each financial year	7,963	8,117	8,384	9,385	10,254

3. Discounts & Exemptions

3.1 The Local Government Act (LGA) 2003 made a number of changes to the powers of local authorities to grant exemptions and discounts. These are expanded upon in Appendix C but in brief are as follows:

3.1.1 Discounts for second homes

Originally the nationally set discount for second homes was 50%. The regulations that came into force on 18 December 2003 introduced two classes of second home and gave Local Authorities the power to vary the discount to a minimum 10% - these are referred to as classes A and B and are explained in more detail in appendix C. The impact of the application of this power would be to increase the tax yield by up to 40% on these properties so long as they remain in occupation. Until now Medway Council has chosen not to increase the yield by the additional 40%, but Schedule C contains officers' proposal to implement this change. By way of comparison all of the Kent billing authorities (except Medway and Sevenoaks) operate to this minimum discount level and only five Unitary councils (including Medway) offer a greater discount than the 10% minimum.

3.1.2 Discount for long term empty homes

Currently, vacated properties enjoy an exemption from Council Tax for the first six months of non-occupation. Regulations that similarly came into force on the 18 December 2003 introduced a new class C, referred to in appendix A, and gave Local Authorities the ability to reduce the previously nationally set discount of 50% to zero once the exempt period ends. There were clear attractions to taking advantage of the new discretion, not least being the encouragement of owners to find occupants for empty homes to offset the additional cost, and as such and until now Medway Council has chosen to apply a zero discount.

4. Council Tax Base 2011/2012

- 4.1 The recommended council tax base (i.e.88,033.66) represents an 839.43 (0.96%) increase in Band D over the previous year's base. At current band D levels this represents an increase in council tax income of £939,000 for Medway Council.
- 4.2 The Government has assumed a taxbase of 88,050 (after allowing for a 98.6% collection rate) in its calculations of the Formula Grant payable to Medway for 2011/2012. The Medium Term Financial Plan (and consequently the draft budget presented at Cabinet on 30 November), considered by Cabinet on 28 September, anticipated a tax base of 87,837 (growth of 643 or 0.75%) for 2011/2012 and the excess growth is accounted for by a combination of additional properties, movement in the number of discounts/exemptions granted and the recommended change to the level of discount awarded to second homes. At current council tax rates and including the proposed council tax freeze grant, the excess growth in the tax base over that in the MTFP and draft budget will generate a yield of £226,000.
- 4.3 A detailed breakdown of the calculation for each area including the change to second home discounts is shown in the attached appendix A to this report. A detailed breakdown of the calculation for each area excluding the change to second home discounts is shown in the attached appendix B to this report.

5. Delegation of council tax base setting

- 5.1 Section 84 of the Local Government Act (LGA) 2003 amends section 67 of the Local Government Finance Act (LGFA) 1992 so that a full council meeting is no longer required to adopt the council tax base that is used when setting council taxes.
- 5.2 The calculation or determination of the council tax base can now be delegated to a committee or an officer and it is proposed to delegate authority to the Chief Finance Officer, in consultation with the Portfolio Holder for Finance to undertake this administrative task and report back to Members via the budget setting process.

6. Risk Management

- 6.1 This section of the report identifies significant risks relating to the taxbase calculation

Risk	Description	Action to avoid or mitigate risk
The calculation fails to correctly reflect the level of discount/exemption or the estimate of new property listings is incorrect.	The incorrect estimation of the tax base will give rise to a surplus or deficit on the Collection Fund that will have to be taken into account at some future date.	The tax base and the Collection Fund balance are monitored each month to give as much warning as possible of any potential error. In setting the tax base a prudential approach has been used to attempt to ensure that there is not an over estimate of listed property.

7. Financial and Legal Implications

- 7.1 The proposed tax base would generate an additional £226,000 of council tax income for 2011/2012 compared to the assumption used in the medium term financial plan including an assumed 2.5% council tax freeze grant.
- 7.2 Section 33 of the Local Government Finance Act 1992, and the Local Authorities (Calculation of Tax Base) Regulations 1992, require the Council to calculate its council tax base by 31 January prior to the start of the financial year.

8. Recommendations

- 8.1 That the council agrees to reduce the discount on second homes from 50% to 10%
- 8.2 That the council continues to award zero discounts on long-term empty properties.

8.3 That the council agrees the Council tax base for 2011/2012 as set out below:

Area	Tax Base	Previous Year
Allhallows	639.85	610.64
Cliffe and Cliffe Woods	1,907.48	1,892.53
Cooling	85.84	85.39
Cuxton	1,030.89	1,031.68
Frindsbury Extra	2,444.00	2,358.66
Halling	1,054.95	1,042.43
High Halstow	738.47	745.00
Hoo St Werburgh	3,081.33	2,948.04
St James, Isle of Grain	489.84	486.34
St. Mary Hoo	102.31	98.39
Stoke	365.44	362.42
Council Area (excluding Parishes)	76,093.28	75,532.73
Total Council Area	88,033.68	87,194.25

8.4 That the Chief Finance Officer (in consultation with the Finance Portfolio Holder) be authorised to set future council tax bases and that the Monitoring Officer be delegated authority to add this to the Employee Scheme of Delegation and make the necessary consequential changes to the Constitution.

Lead Officer contact:

Jon Poulson, Revenues and Benefits Manager
T: 01634 333700
E: jon.poulson@medway.gov.uk

Background Papers: Council tax base working papers.

Appendix A

1. Total band D equivalent properties by band and area based on recommended 10% second home discount)

	Band @	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total	Adjust for 98.6% collection	Plus Crown Contri- bution	Total Band D equivalents
Allhallows	0.83	244.37	229.72	126.80	30.25	9.78	4.69	2.50	0.00	648.94	(9.09)		639.85
Cliffe	0.00	84.27	157.89	742.00	369.55	408.41	115.77	56.67	0.00	1,934.56	(27.08)		1,907.48
Cooling	0.00	1.17	2.64	19.11	16.50	12.53	14.44	20.67	0.00	87.06	(1.22)		85.84
Cuxton	0.00	27.17	48.03	167.91	510.45	132.92	129.13	27.92	2.00	1,045.53	(14.64)		1,030.89
Frindsbury	0.47	85.72	198.22	489.51	927.60	321.14	331.21	120.83	4.00	2,478.70	(34.70)		2,444.00
Halling	0.00	27.67	207.12	292.04	163.90	220.61	125.67	32.92	0.00	1,069.93	(14.98)		1,054.95
High Halstow	0.00	12.83	84.78	100.36	119.50	241.08	124.58	65.83	0.00	748.96	(10.49)		738.47
Hoo	0.00	344.68	690.04	1031.38	611.27	255.57	137.58	31.67	2.00	3,104.19	(43.46)	20.60	3,081.33
St James, Isle of Grain	0.00	27.27	347.78	79.56	10.50	15.58	14.44	1.67	0.00	496.80	(6.96)		489.84
St Mary Hoo	0.00	0.67	17.62	8.00	13.50	7.33	12.64	44.00	0.00	103.76	(1.45)		102.31
Stoke	0.00	34.67	164.23	43.11	39.65	40.03	33.94	15.00	0.00	370.63	(5.19)		365.44
Urban	13.92	5,141.00	23,282.11	23,178.94	12,518.69	7,518.32	3,609.31	1,514.67	71.30	76,848.26	(1,075.88)	320.90	76,093.28
Total													88,033.68

Appendix B

2. Total band D equivalent properties by band and area based on current 50% second home discount)

	Band @	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total	Adjust for 98.6% Collection	Plus Crown Contri- bution	Total Band D equivalents
Allhallows	0.83	202.50	228.47	126.44	30.25	9.78	4.69	2.50	0.00	605.46	(8.48)		596.98
Cliffe	0.00	84.00	157.89	742.00	369.55	407.92	115.19	56.67	0.00	1,933.22	(27.07)		1,906.15
Cooling	0.00	1.17	2.33	19.11	16.50	12.53	14.44	20.00	0.00	86.08	(1.21)		84.87
Cuxton	0.00	27.17	48.03	167.56	509.25	132.92	128.56	27.92	2.00	1,043.41	(14.61)		1,028.80
Frindsbury	0.47	85.72	196.97	488.44	926.40	321.14	330.06	120.83	4.00	2,474.03	(34.64)		2,439.39
Halling	0.00	27.67	206.50	291.33	163.90	220.61	125.67	32.92	0.00	1,068.60	(14.96)		1,053.64
High Halstow	0.00	12.83	84.78	100.00	119.50	241.08	124.58	65.83	0.00	748.60	(10.48)		738.12
Hoo	0.00	342.54	689.11	1,030.67	610.87	255.57	137.58	31.67	2.00	3,100.01	(43.40)	20.60	3,077.21
Isle of Grain	0.00	27.00	347.47	79.56	10.50	15.58	14.44	1.67	0.00	496.22	(6.95)		489.27
St Mary Hoo	0.00	0.67	17.31	8.00	13.50	7.33	12.64	43.33	0.00	102.78	(1.44)		101.34
Stoke	0.00	34.67	163.92	43.11	39.25	40.03	33.94	15.00	0.00	369.92	(5.18)		364.74
Urban	13.92	5127.67	23,250.68	23,145.88	12,497.49	7,504.14	3,603.53	1,513.33	70.50	76,727.14	(1,074.18)	320.90	75,973.86
Total													87,854.37

DISCOUNTS FOR SECOND HOMES AND LONG TERM EMPTY PROPERTIES

1. The Council Tax (Prescribed Classes of Dwellings)(England) Regulations (SI 2003/3011)

1.1 The regulations set out two classes of second homes:

Class A: Dwellings which are not the sole or main residence of an individual, which is furnished and the occupation of which is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days.

Class B: Dwellings which are not the sole or main residence of an individual, which is furnished and the occupation of which is not restricted by a planning condition preventing occupancy for a continuous period of at least 28 days.

1.2 The regulations provide that a billing authority may determine to reduce the council tax discount from the nationally set 50% to a minimum 10% in some or all of its area except where the liable person is required to live in job related accommodation as part of his job. Any changed discount will also apply to landlords who are liable for council tax on any furnished let property between lettings

1.3 The regulations also provide for one class of dwelling which is long term empty:

Class C: Dwellings which are unoccupied and substantially unfurnished

1.4 The regulations provide that a billing authority may determine to reduce the council tax discount from the nationally set 50% to zero in some or all of its area. Class C applies once any exempt period ends and so the new regulations do not need to define when the changed discount starts to apply.

2. Current Situation – Classes A & B

2.1 Officers have identified 548 second homes within Medway as follows:-

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Allhallows	157	4	1	0	0	0	0	0	162
Chatham	15	33	25	11	11	4	1	0	100
Cliffe	1	0	0	0	1	1	0	0	3
Cooling	0	1	0	0	0	0	1	0	2
Cuxton	0	0	1	3	0	1	0	0	5
Frindsbury Extra	0	4	3	3	0	2	0	0	12
Gillingham	19	38	32	20	12	3	1	1	126
Halling	0	2	2	0	0	0	0	0	4
High Halstow	0	0	1	0	0	0	0	0	1
Hoo St Werburgh	8	3	2	1	0	0	0	0	14
St. James Isle Of Grain	1	1	0	0	0	0	0	0	2
Rochester	14	19	28	21	6	3	0	0	91
St Mary Hoo	0	1	0	0	0	0	1	0	2
Stoke	0	1	0	1	0	0	0	0	2
Strood	2	11	8	1	0	0	0	0	22
Total	217	118	103	61	30	14	4	1	548

2.2 Information is not yet available regarding planning conditions in respect of all these properties although it is believed that some of the properties at The Seafront, Allhallows do have a restriction allowing occupancy for only eleven months of the year. However by reducing the discount for both classes A and B to 10%, such a planning condition will not affect the council tax payable.

3. Current Situation – Classes C

3.1 All properties which are unoccupied and substantially unfurnished are exempt from Council Tax for the first six months, whereupon they are charged 100%.

3.2 The number of empty properties is continually changing. However, as at 27 December officers identified the following properties falling under this class:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Allhallows	17	2	0	0	0	0	0	0	19
Chatham	99	198	65	17	16	2	2	0	399
Cliffe	4	2	9	9	0	0	0	0	24
Cooling	0	0	0	0	0	0	1	0	1
Cuxton	2	1	2	0	2	0	0	0	7
Frindsbury Extra	5	7	5	4	2	1	0	0	24
Gillingham	82	190	83	41	21	7	4	3	431
Halling	1	7	4	1	1	0	0	0	14
High Halstow	1	1	0	0	0	0	0	0	2
Hoo St Werburgh	22	16	10	3	2	1	0	1	55
St. James Isle Of Grain	1	5	1	0	0	0	0	0	7
Rochester	40	71	51	19	9	6	1	1	198
St Mary Hoo	0	0	0	0	0	1	0	0	1
Stoke	0	5	1	1	2	1	1	0	11
Strood	57	55	37	19	4	3	0	0	175
Total	331	560	268	114	59	22	9	5	1,368

3.3 At the current level of discount (0%) and at 2010/11 council tax rates this equates to collectable income of £1,273,000.

4. Officers' Proposals

4.1 That the council agrees to reduce the discount on both class A and class B second homes from 50% to 10%.

4.2 That the council continues to award zero discounts on long term empty properties.