

**To:** City Executive Board and Council

**Date:** 12<sup>th</sup> January 2011 and 24<sup>th</sup> January 2011    **Item No: 8**

**Report of:** The Interim Head of Finance

**Title of Report:** Setting of the Council Tax Base 2011-12

### Summary and Recommendations

**Purpose of report:** To set the "Council Tax Base" for 2011/12 (as required by section 33 of The Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) Regulations 1992).

**Key decision:** No

**Executive lead member:** Cllr. Ed Turner

**Report Approved by:**

**Finance:**

**Legal:** Jeremy Thomas

**Policy Framework:** No

**Recommendation(s):** The City Executive Board is asked to recommend to Council the following:

- a) that the 2011/12 Council Tax Base for the City Council's area as a whole be set at **46,984** (calculation shown in Appendix 1)
- b) that the projected level of collection be set at 98%
- c) that the following tax bases for each of the parishes, and for the Unparished area (calculations shown in Appendix 2) be set at:

Unparished Area of the City	38,535
Littlemore Parish	1,924
Old Marston Parish	1,298
Risinghurst & Sandhills Parish	1,526
Blackbird Leys Parish	3,701

<b><u>City Council Total</u></b>	<b><u>46,984</u></b>
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## **Council Tax Base – an introduction**

The tax base is the estimate of the taxable capacity of the area for the 2011/12 period. The numbers of dwellings in each valuation band are converted to full charge Band D equivalents. The starting point is the current number of dwellings, exemptions and discounts as at Nov 30<sup>th</sup> 2010 and projections are then made for expected movements over the period Dec 1<sup>st</sup> 2010 – March 31<sup>st</sup> 2012. Separate calculations are required for the whole of the Authority's area and in addition for the individual Parishes and the Unparished area of the city. The Tax Base will be used by the Council to calculate the yield from Council Tax for 2011/12, and by Oxfordshire County Council and Thames Valley Police Authority to apportion their precepts from 1 April 2011.

1. **Dwellings:** This is the number of dwellings in each valuation band as at 30 November 2010 (Appendix 3).
2. **Exemptions and Discounts:** Not all dwellings are liable for the full Council Tax. Some categories are exempt. Other dwellings can attract a discount, either at 10%, 25% or 50% dependant on the number of adults who are considered resident. In setting the Tax Base for 2011/12 the Authority needs to take into account all the exemptions and discounts applicable as at November 30<sup>th</sup> 2010.
3. **Disability reductions:** Where there is a disabled occupant and adaptations have been undertaken for their benefit, the dwelling is treated as being in the band below the one in which it was actually valued.
4. **Discretion:** The Council has discretion in the following areas when calculating the Council Tax Base:
  - a) **Adjustment for changes in the number of properties being built;**  
**Changes in the number of properties subject to a discount;**  
**exemption or disabled relief.**

Appendix 4 shows the net annual increase in our total numbers of dwellings banded for Council Tax going back to 1997/98. The graph shows the 'boom' years of 2004/05, 2005/06 and 2006/07, followed by a considerable drop over the next two years. It is likely that the net increase for 2010/11 will be similar to that of 2009/10. The 'net' figure includes new builds, demolitions, and reconstitutions (splits/mergers).
  - b) An estimate of new dwellings has been included for the remainder of 2010/11. This figure is derived from information obtained from the Council Tax Inspector and includes developments at Rose Hill and Littlemore. For 2011/12 an estimate of 344 new dwellings has been built into the calculation. This assumes net growth at a similar rate to 2010/11. A 50% reduction has been applied to the 2011/12 additional dwellings to reflect that some will have discounts or exemptions, and most will not be in the Valuation List for the entire period.

- c) An adjustment has also been made for an estimated increase in the number of exempt dwellings (see also para 7 below). New builds are initially exempt if vacant. This can extend for up to 12 months after works have been completed. In addition our number of student exemptions is higher than in 2009/10 and is likely to continue to rise during 2011/12.
- d) The Council needs to make an allowance for non-collection of Council Tax. The Chief Financial Officer has recommended that this allowance be set at two percent, giving a projected collection rate of 98%. This was reduced from 3% with effect from 2007/08 due to the Authority's improved collection performance. We eventually collect over 99% of the debit.
5. **Calculation method:** The method used is prescribed by the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (SI 1992/612), as amended by Statutory Instrument 2003/3012 (see paragraph 6 below). This has been followed for the calculation of the Tax Base for the whole Authority (Appendix 1) and for each of the parishes (Appendix 2). The basic steps are as follows:
- Number of dwellings in each of the valuation bands
  - Deduct exempt dwellings
  - Adjust for disabled reductions
  - Adjust for discounts (10%, 25% and 50%)
  - Convert to band D equivalents
  - Allow for projected collection rate.
6. **The Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003:** The procedure for setting the tax base for 2011/12 (and years 2005-06 through to 2010-11) has reverted to the process used for the years up to and including 2003/04. For 2004/05 the above legislation put back the 'relevant day' from November 30<sup>th</sup> to December 20<sup>th</sup>. This was to enable authorities to take account of discounts under the new section 11A of the Local Government Finance Act 1992. At the meeting on 19<sup>th</sup> January 2004, Executive Board decided that for 2004/05, and for subsequent financial years
- a. the discount applied for second homes be reduced to 10%
  - b. the discount for long term empty homes be reduced to nil
- These decisions have been incorporated into the calculation process for 2011/12.
7. **Reasons for increase in Council Tax Base:** The calculated figure of **46,984** for the overall tax base for 2011/12 represents an increase of 0.65% on the 2010/11 figure. Our total of dwellings has continued to rise – albeit at a slow rate. This is as expected in the current economic

climate. It is important to allow for the fact that a considerable proportion of the new builds will be exempt. If this was not done, the tax base would be over stated leading to a potential deficit on the collection fund.

8. **Banding reductions:** Another area to be wary of is the effect of successful banding appeals. During the period April 1<sup>st</sup> – November 30<sup>th</sup> 2010 we have received notification of 61 addresses where the Valuation Office Agency has reduced the banding as the result of an appeal by the taxpayer or their agent. Of these 19 have been backdated by the VOA to April 1993 – the date of implementation of the Council Tax. Dwellings for example have moved from Band G to F, from Band E to D etc. The net effect is to have a permanent reduction on our tax base. It is likely that we will be notified of more of these over the forthcoming 15 months. Regrettably there is no way of estimating the number of these.
9. **Risk Implications:** A risk assessment has been undertaken and the risk register is attached at Appendix 5.

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**Background papers:** Statistical report ct6140b/d  
produced from the Academy Council Tax system dated Nov 27<sup>th</sup> 2010.  
Statement of numbers and Bands of dwellings issued by the Valuation Office Agency dated Nov 29<sup>th</sup> 2010 (Appendix 3)

**Version number:** One