

MANCHESTER CITY COUNCIL

Report To: Finance and Human Resources Overview and Scrutiny Committee

Date: 11 January 2007

Subject: Council Tax Base for Tax Setting Purposes 2007/2008

Report of: Head of Financial Management

Purpose of Report

To advise on the method and result of the calculation of the City Council's tax base for tax setting purposes for the 2007/2008 financial year.

Recommendations

- i) That the City Treasurer, in consultation with the Executive Member for Finance and Human Resources, agrees under his delegated powers that in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, the tax base for tax setting purposes for the year 2007/2008 shall be £115,368.

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Background

Local Authorities (Calculation of Council Tax Base) Regulations 1992
The Council Tax - Practice Note No. 7: Tax Setting, Precepting and Levying
Council Tax (Exempt Dwellings) (Amendments) (No.2) Order, 1999
Council Tax (Reduction for Disabilities) (Amendments), 1999
Form CTB1 returned to DETR in October 2006
The Local Authorities (Calculation of Tax Base) (Amendment) (England) Regulations 2003 and the Amendment No2 Regulations 2003
The Council Tax (Prescribed Changes of Dwelling) (England) Regulations 2003

Introduction

1. Section 33 of the Local Government Finance Act 1992, the Local Authorities (Calculation of Council Tax Base) Regulations 1992, amendments introduced by the Local Government Act 2003 and Regulations enacted under it, require the Council to calculate its tax base for tax setting purposes in accordance with the Regulations as amended. For 2007/08 this calculation has to be based on data available at 30th November 2006 and must be made between 1st December 2006

and 31st January 2007. The City Council has to notify the precepting authorities of its calculation for 2007/2008 by 31st January 2007.

2. If the calculation has not been agreed by the 31st January 2007 the regulations provide that the responsibility for calculating the council's tax base transfers to the precepting authorities. They must calculate the tax base on behalf of the City Council, and themselves, on the basis of all the information available. This information will include any recommendations of the City Treasurer; it will also include any amount calculated by the Secretary of State for the purposes of distribution of Revenue Support Grant.
3. Changes from 2004/05 in the regulations for determining how the tax base is to be calculated reflected powers granted to Local Authorities by new regulations in relation to discounts which came into force on 19th December 2003. These powers enable authorities to reduce the council tax discounts granted for second homes from 50% to any level down to 10% and for empty unfurnished property from 50% to any level down to nil (after an initial 6 month period when no charge is applied). In both cases different levels of discount can be determined for different areas of the authority. At its meeting on 23rd November 2005 the Executive determined to cease from 1st April 2006 its pilot scheme of discounts in the three wards of Ancoats and Clayton, Bradford and Harpurhey. Thus there are no adjustments to be made to the tax base for 2007/08 in respect of these powers.

Basis of Calculation of Tax Base

4. The basis of the calculation as specified in the regulations and the details of the calculation for the financial year 2007/2008 are set out in Appendix Two. Basically the council tax base is the total of the number of domestic properties in the City, after making deductions for exempt dwellings and for the granting of reliefs and discounts for disabled occupiers, single occupiers and as appropriate empty properties and second homes. The adjusted numbers of properties in each of the eight valuation bands A to H are expressed as numbers of band D equivalents so they may be added to produce a single figure (e.g. A = 0.6667D; H = 2D).
5. Whereas the 2007/2008 council tax base calculated for the purposes of distributing Revenue Support Grant is based on a DCLG projection to November 2006 of a "snap shot" of the actual number of properties, exemptions, reliefs and discounts at the specified November 2005 date, and assuming a 100% collection rate, the tax base for tax setting purposes uses the position at 30th November 2006 as its starting point but may be adjusted to reflect the "average" position in terms of numbers of properties, discounts, etc. through to the end of the financial year on 31st March 2008. It may also be adjusted to reflect the assumed collection performance.
6. The statutory timescale for undertaking the tax base calculation means that the tax base calculation for 2007/2008 is based on information that will be more than three months out of date at the time that the bills are issued. Whilst this would not be a problem for most authorities the fluctuating but increasing numbers of

students and the high turnover of population in Manchester (25% per annum) make it very difficult to predict how many properties will be exempt, empty or occupied by a single person etc. on 1st April 2007 and during the following financial year. The figures in Appendix one on which the tax base has been calculated represent a 'best estimate'.

7. Thus the tax base calculation set out in Appendix One incorporates assumptions about the potential changes in the following, between 30th November 2006 and 31st March 2008:

- * New properties
- * Properties that are demolished
- * Exempt properties (including all-student households)
- * Disabled Relief
- * Single Person Discounts
- * Empty properties

As in the current year it also assumes a 98% collection rate.

8. The council tax base for tax setting purposes proposed for 2007/2008, calculated as above, is 115,368. This compares with a figure of 113,916 for the current year. Any collection fund deficit or surplus at the end of 2007/2008 as a result of the above assumptions proving to be incorrect will have to be adjusted for when setting the council tax level for 2008/9.

Appendix 1 Calculation of 2007/08 Tax Base for Council tax Setting Purposes: 98%

	Band A- Disabled Column 1	Band A Column 2	Band B Column 3	Band C Column 4
Dwellings shown on the Authorities Valuation List		130,663	30,680	25,54
Exempt Dwellings		11,966	4,910	2,66
Diplomats and Demolished		18	0	
Number of Chargeable Dwellings		118,679	25,770	22,87
Disabled Reductions		240	184	18
Dwellings Subject To Tax	240	184	188	7
Adjusted Chargeable Dwellings	240	118,623	25,774	22,76
25% Discounts	64	67,362	10,324	7,21
50% Discounts	2	6,503	1,591	1,46
Number of No Discount Dwellings	174	44,758	13,859	14,08
Total Equivalent No. of Dwellings after Adjustment	223	98,531	22,398	20,22
Ratio to Band D	29/9	29/9	29/9	29
Band D Equivalentents	123.9	65,687.3	17,420.3	17,978
Contributions of Class O Dwellings				
Total				
Less 2% Allowance for Non-Collection				

Band D Column 5	Band E Column 6	Band F Column 7	Band G Column 8	Band H Column 9	Total No. of Dwellings Column 10
11,387	4,399	1,734	729	100	205,234
1,406	240	42	19	30	21,278
1	0	1	0	1	22
9,980	4,159	1,691	710	69	183,934
73	49	27	33	15	809
49	27	33	15		809
9,956	4,137	1,697	692	54	183,934
2,670	949	348	101	5	89,040
1,090	516	181	90	19	11,454
6,196	2,672	1,168	501	30	83,440
8,744	3,642	1,520	622	43	155,947
9/9	38/9	38/9	38/9	18/9	
8,743.5	4,451.0	2,194.8	1,036.3	86.5	117,722.0
					0.0
					117,722.0
					115,367.6

Appendix Two

Local Authorities (Calculation of Council Tax Base) Regulations 1992 **as amended by 2003 Amendment Regulations** **Extract Prescribing Basis of Calculation of Tax Base**

1. The Council tax base, T, is calculated by applying the formula:
$$T = A \times B$$
where:
A is the total of the relevant amounts for the year for each of the valuation bands which is shown or is likely to be shown for any day of the year in the authority's valuation list as applicable to one or more dwellings in its area; and
B is the authority's estimate of its collection rate for the year.
2. The relevant amount for each individual valuation band is calculated by applying the formula:
$$(H - Q + J) \times F/G$$
where:
H is the number of chargeable dwellings in the authority's area in the particular valuation band on the relevant day, which is 30/11/2006 (i.e., the number of dwellings which should be included on the valuation list on that day net of those that are exempt dwellings).
For the purpose of this calculation a dwelling occupied by a person with a reduced council tax liability under section 13 of the 1992 Act ("disabled reductions") is assigned to the valuation band determined by the reduced liability of the individual. For a Band A property the value is reduced by 16.67% of the Band A value.
Q is a factor to take account of the discounts to which the amount of council tax payable was subject on the relevant day, 30th November 2006. It is the total of number of properties in each band on the relevant day multiplied by the relevant percentage from each of the different discounts applicable.
J is the net adjustment, expressed in full year equivalents, of estimated changes in numbers of chargeable dwellings and discounts between 30/11/2006 and 31/3/2008.
F is the number which determines the relative proportions for each of the valuation bands (i.e., A- = 5, A = 6, B = 7, C = 8, D = 9, E = 11, F = 13, G = 15, H = 18).
G is the number that is the proportion for a band D dwelling, i.e., 9.
3. The authority's estimate of its collection rate for the year is the proportion of the amount payable into the Collection Fund for the year in respect of council tax on dwellings situated in its area, which it believes in the event is ultimately likely to be paid. The figure therefore relates solely to the council tax due in respect of the 2007/2008 financial year and not to any other amounts which will be credited to the Collection Fund, such as amounts in respect of previous years' Council Tax and Poll Tax arrears. Any adjustment that is required for

under/over estimation of previous year's Tax Base is made as part of the calculation of the Revenue Budget Requirement.

4. The table at Appendix 1 sets out, separately for each valuation band:
- details of the numbers of dwellings on the valuation list at 30/11/06 amended to reflect net adjustments in respect of estimated changes between 30/11/06 and 31/3/08;
 - the reductions from these numbers in respect of exempt dwellings to be excluded from the listing;
 - net adjustment in respect of dwellings transferred to the next lower band because of eligibility for "disabled reductions" and the "new" Band A relief;
 - the estimated numbers for each of the various categories of discounts;
 - the adjusted numbers of properties after deduction of discounts; and
 - the adjusted total expressed as Band D equivalents.

It then identifies the total relevant amount, that is the total of above Band D equivalent numbers, which by applying an estimated collection rate of 98% produces a Council Tax base for tax setting purposes for 2007/2008 of 115,368.