

**Manchester City Council
Report for Information**

Report to: Resources and Governance Overview and Scrutiny Committee -
13 January 2011

Report Of: City Treasurer

Subject: Setting of the Council Tax Base for Budget Setting Purposes

Purpose of Report:

To advise on the method calculating the City Council's tax base for tax setting purposes for the 2010/11 financial year and the reasons why it is requested this decision is exempt from call in.

Reccomendations:

Members are asked to:

1. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to set the tax base for tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended.
2. Note that the Chair of the Resources and Governance Overview and Scrutiny Committee will be requested to exempt the key decision from the call in procedures.

Financial Consequences for the Revenue Budget:

The Council Tax base calculation informs the overall resolutions for the proposed Revenue Budget and consequent Council Tax increase for the City.

Financial Consequences for the Capital Budget

There are no direct consequences for the Capital Budget.

Contact Officer	Tel Number	E-Mail Address
Carol Culley	234 3406	c.culley@manchester.gov.uk

Background Papers

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 CLG in October 2007

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. This calculation has to be based on data available at 30 November 2010 and the decision must be made between 1 December 2010 and 31 January 2011. The City Council has to notify the precepting authorities of its calculation for 2011/12 by 31 January 2011.
2. If the calculation has not been agreed by the 31 January 2011 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. From 1st April 2006 the Council has not exercised these discretionary powers.

Basis of Calculation of Tax Base

4. 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. The 2011/12 council tax base calculated for the purposes of distributing Revenue Support Grant is based on a CLG projection of a "snap shot" of the actual number of properties, exemptions, reliefs and discounts at the specified November 2010 date, and assuming a 100% collection rate. The tax base for tax setting purposes uses the position at 30 November 2010 as its starting point but may be adjusted to reflect the "average" position as estimated by the Council in terms of numbers of properties, discounts, etc.

during the financial year to 31st March 2012. 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 2011/12 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 1 April 2011 and during the following financial year. The figures on which the tax base will be calculated will represent a 'best estimate'.
7. Thus the tax base calculation will incorporate assumptions about the potential changes in the following, between 30 November 2010 and 31 March 2012:
 - * New properties
 - * Properties that are demolished
 - * Exempt properties (including all-student households)
 - * Disabled Relief
 - * Single Person Discounts
 - * Empty properties
8. The council tax base for 2010/11 was estimated at 122,312 band D equivalents. For 2011/12, the budget planning assumption is that the council tax base will increase by 1%, which would generate an additional £1.4m at this years council tax rate. These assumptions will be validated when the tax base is recalculated.
9. Because the calculation uses information to the end of November, the calculation is finalised during December to support the key decision required. Due to the requirement to notify precepting authorities by 31 January it is requested that the decision is exempt from call in. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to set the tax base for tax setting purposes.