



Leicester
City Council

**WARDS
AFFECTED**

All Wards

**CABINET
COUNCIL**

**25th JANUARY 2010
28th JANUARY 2010**

COUNCIL TAX - TAXBASE

REPORT OF THE CHIEF FINANCIAL OFFICER

1.0 PURPOSE AND SUMMARY OF REPORT

1.1 The City Council is required to set a “taxbase” by 31st January 2010 for the purpose of setting its Council Tax. This is, in effect, the number of properties in the City on which council tax is charged. It also enables the police and fire authorities to set their precepts. This report details the recommended taxbase for the financial year 2010/2011.

2.0 RECOMMENDATIONS

2.1 The Cabinet is recommended to endorse a taxbase for 2010/2011 of 78,799 properties expressed as the equivalent number of “Band D” properties.

2.2 The Council is recommended to agree a taxbase for 2010/2011 of 78,799 properties expressed as the equivalent number of “Band D” properties.

3.0 REPORT

3.1 For Council Tax purposes, all properties are put into one of eight bands (A to H) by the Valuation Office Agency, an executive agency of HM Revenues and Customs. The occupiers of Band A properties pay the lowest Council Tax while those in Band H properties pay the highest.

3.2 The taxbase is the number of properties in the City on which Council Tax is charged but expressed as if all properties were in Band D. As most properties in Leicester are in Bands A or B the number of Band D equivalent properties is less than the actual number of properties in the City.

- 3.3 Appendix 1 to the report details how the properties are converted to Band D equivalents. The appendix also details how the Band D equivalent figure is reduced to take account of changes in the taxbase after it has been set (e.g. in the number of discounts and exemptions awarded) and the anticipated collection rate. The taxbase is not reduced in respect of council tax benefit granted to taxpayers on low income (because council tax benefit does not reduce the amount of council tax due on a property – it simply means that part of the sum due is paid by the government.)
- 3.4 The Cabinet is asked to note that there is only one element of policy choice in the setting of the taxbase, which is the adjustment provision we make for non-payment and for in-year changes to the tax base.
- 3.5 Collection performance has been improving considerably in recent years. Furthermore, Leicester has seen continual growth in new building, which has resulted in increased council tax yields during the course of each of the recent years. This has allowed the adjustment provision to be reduced, and it has progressively fallen to 2.0%. Notwithstanding this, we have still achieved collection fund surpluses, although such surpluses now appear to be in decline.
- 3.6 Recommending a provision for 2010/11 is difficult due to the impact of the recession. Perhaps surprisingly, tax collected to date in 2009/10 is slightly better than at the same time in 2008/09. This may be due to the increase in people entitled to council tax benefit; this guarantees collection from taxpayers who perhaps found it difficult to pay when employed. It also reflects continued improvement in recovery practices. Nonetheless, I would recommend an increase in the provision from 2.0% to 2.25% for the following reasons: -
- a) Risks over people's ability to pay in a recession, although this does not seem to be a significant risk on present evidence;
 - b) The fact that house building in the city has slowed down in the recession. In past years, new properties have provided increased tax revenues, which has cushioned the effect of losses elsewhere;
 - c) Late granting of discounts and exemptions always has a negative impact on yield, and this will continue;
 - d) Significantly, the number of newly built empty properties in the city still owned by the developer has increased from 130 last year to 553 this year. These properties are charged 100% of tax 6 months after their completion and this number represents a significant proportion of developers' unsold stock. Thus, the Council has some exposure to the continued buoyancy of these developers.
- 3.7 I remain of the view that, in the longer term, 1.75% is probably the level of provision required in an environment when the property numbers are stable and the economy is normal.

- 3.8 The outcome is a taxbase for the setting of the Council Tax of 78,799. This is an increase from 2009/10 (78,299) of 500 and is mainly due to an overall increase in the numbers of properties in Leicester.
- 3.9 A separate report on today's Cabinet agenda reports the estimated surpluses on the collection fund for 2009/2010. These arise from collection rates that have exceeded the provision made in respect of years prior to 2009/10 and to in-year increases in the amount of the tax due arising from new properties being built. This is offset by late reductions in bills due to new eligibility to discounts and exemptions.

4 FINANCIAL AND LEGAL IMPLICATIONS

- 4.1 The Council Tax Base for the year 2010/11 must be calculated in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations, 1992 as amended by the Local Authorities (Calculation of Council Tax Base)(Amendment) Regulations, 2003 made under Section 33(5) of the Local Government Act 1992.
- 4.2 The report details the taxbase on which the Council Tax for the City Council is charged. The taxbase also determines the proportion of the levy charged to the City Council from the Environment Agency as well as the precept to the Police Authority and the Combined Fire Authority. The taxbase has a direct effect on the level of Council Tax levied for 2010/2011.
- 4.3 As this report affects the level of Council Tax in 2010/11, Section 106 of the Local Government Finance Act 1992 applies. Where a member is at least two months in arrear in payment of their Council Tax, the member must not vote on any report that relates directly to the setting of the Council Tax.
- 4.4 There are no additional legal implications.

5. OTHER IMPLICATIONS

Other Implications	YES/NO
Equal Opportunities	YES
Policy	NO
Sustainable Environment	NO
Crime and Disorder	NO
Human Rights Act	NO
Elderly People / People on Low Income	NO

**6. BACKGROUND PAPERS:
(LOCAL GOVERNMENT ACCESS TO INFORMATION ACT) 1985**

Local Government Finance Act 1992.
Local Authorities (Calculation of Taxbase) Regulations 1992 as amended.
Return to the Department of Communities and Local Government
- October 2009 - CTB.

7. REPORT AUTHOR

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8. Decision Status

Key Decision	Yes
Reason	Provides key element of information required in the annual budget cycle
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)

12th November 2009

COUNCIL TAX – TAXBASE

APPENDIX

<i>DESCRIPTION/BAND</i>	<i>Band A and entitled to Disabled Relief</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>	<i>TOTAL</i>
Dwellings in the Valuation List		75,345	24,161	14,869	6,367	2,983	1,348	600	59	125,732
Net adjustment for Disabled Reduction and Demolished	168	-9	-27	-77	-11	-15	-9	3	-23	0
TOTAL NUMBER OF PROPERTIES	168	75,336	24,134	14,792	6,356	2,968	1,339	603	36	125,732
Full Charge	140	37,520	15,329	10,076	4,355	2,306	1,077	465	21	71,289
Discount - 10%	0	516	161	95	58	20	8	5	1	864
Discount - 25%	25	32,667	7,096	3,403	1,179	450	193	76	1	45,090
Discount - 50%	3	94	23	27	20	29	34	41	10	281
Exempt	0	4,539	1,525	1,191	744	163	27	16	3	8,208
TOTAL NUMBER OF PROPERTIES	168	75,336	24,134	14,792	6,356	2,968	1,339	603	36	125,732
Total Equivalent Properties	160.25	62,531.65	20,807.40	12,727.25	5,301.45	2,676.00	1,245.95	547.00	27.65	106,024.60
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalent	89.0	41,687.8	16,183.5	11,313.1	5,301.5	3,270.7	1,799.7	911.7	55.3	80,612.2
Less Provision (2.25%)										1,813.2
Taxbase										78,799.0

- 10% Discount - Unoccupied but furnished property.
- 25% Discount - Mainly dwellings occupied by one person.
- 50% Discount - Mainly hostels or dwellings solely occupied by people severely mentally impaired.
- Exempt - Mainly dwellings occupied solely by students or property empty for up to 6 months.