

CANNOCK CHASE COUNCIL

COUNCIL

8 DECEMBER 2010

REPORT OF HEAD OF FINANCIAL MANAGEMENT

DETERMINATION OF COUNCIL TAX BASE – YEAR COMMENCING 1 APRIL 2011

KEY DECISION - YES

1. Purpose of Report

- 1.1 The purpose of this report is to afford members an opportunity to consider and to determine the tax base for the Council's area and the several areas within the District subject to Parish Council precepts.

2. Recommendations

- 2.1 That Members review the policy in terms of Long Term Empty Properties and determine the level of discount (if any) it wishes to apply from April 2011.
- 2.2 That subject to the above Member approve the report and the associated calculation (as determined from Annex 1 – Discount Options) of the Council's tax base for the year commencing 1 April 2011 be approved.
- 2.3 That pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the amount calculated by the Cannock Chase District Council as its tax base for the year commencing 1 April 2011 shall be the Total equivalent Band D properties of the relevant Option, and that for the various parts of the District , the amounts so calculated shall be as stated.

3. Summary

- 3.1 This report determines the amount to be used as the basis for the calculation of the Council Tax to be levied within the district for the financial year commencing 1 April 2011. The Council is required, by virtue of paragraph 7 (3) of the Levying Bodies (General) Regulations 1992, issued in accordance with Section 33 (5) of the Local Government Finance Act, 1992, to determine, between 1 December and 31 January following, the amount to be used as the basis for the calculation of the several amounts of Council Tax to be levied within the District in the financial year commencing on the next 1 April.
- 3.2 This does not mean that the charge has to be set at this time, but that the resource over which the budget requirement is to be spread must be calculated.

4. Key Issues and Implications

- 4.1 The Council is required, by virtue of paragraph 7 (3) of the Levying Bodies (General) Regulations 1992, issued in accordance with Section 33 (5) of the Local Government Finance Act, 1992, to determine, between 1 December and 31 January following, the amount to be used as the basis for the calculation of the several amounts of Council Tax to be levied within the District in the financial year commencing on the next 1 April.
- 4.2 This does not mean that the charge has to be set at this time, but that the resource over which the budget requirement is to be spread must be calculated.
- 4.3 This involves adjusting the valuation list figures to take account of reducing the banding of those properties eligible for disability relief, single occupancy and other discounts, exemptions, new and removed properties and any other appropriate adjustments, as detailed on background paper, Annex 2, attached. The Local Government Act 2003 introduced a number of changes that impact upon the council tax base and the General Fund Revenue Budget. These changes give local authorities the discretion to:
- reduce the existing council tax discount from between 50% to 10% for second homes,
 - remove or reduce the existing discount for unfurnished long term empty homes, and
 - grant additional discounts or exemptions, to be borne locally, in response to local factors, for example flooding.
- 4.4 The implications of discounts for second homes and long term empty properties were considered in detail as part of determining the Council Tax Base for 2004-05 and Council determined that no change would be made to the level of existing discounts. The legislation in terms of discounts for second homes is primarily aimed at local authorities with a large number of second homes and for the 4 estimated second homes in this area the amount of income likely to be achieved is considered immaterial in terms of this Council's tax base. Whereas any benefit to the Council in reducing the discount in long term empty properties is now negated by a compensating reduction in Revenue Support Grant.
- 4.5 The number of vacant properties has changed over recent years and clearly has implications for its Affordable Housing Policy, in addition by reviewing the level of discounts between November (RSG data collection) and January enables a potential for a one off gain in 2011-12 although this will effectively be totally negated as part of next years Local Government Finance settlement. The gain may however extend to a full 3 year period if the settlement .is fixed for the full 3 years rather than annual review
- 4.6 Empty Properties are considered under two different assessments as part of the Council Tax Base.
- A vacant dwelling (i.e. Empty and substantially unfurnished) is exempt from Council Tax for 6 months whereas Long Term Vacant dwellings currently receive a discretionary 50% discount.

- 4.7 The number of vacant dwellings has increased considerably over recent years as reflected in the Table below with 3% of dwellings on the valuation list remaining vacant.

Vacant Properties Analysis 2006-07 to 2010-11						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Short Term - Exempt	238	348	235	321	472	473
Long Term - Discounted	383	431	483	564	529	654
Total	621	779	718	885	1,001	1,127

The Council adopts a pro –active approach in managing its Tax Base to ensure it is not only as accurate as possible but exemptions/discounts and charges for property are actioned as soon as possible with short term vacant properties including new properties at the earliest opportunity.

However the fact that this policy has not changed in the last two years but 2010-11 and 2011-12 empty properties remain unaltered is a cause for concern since it indicates that new void properties continue to arise at the same rate, i.e. a further property becomes vacant at the same time a property is occupied or moves to the long term category, and is some 66% higher than the average for the previous 4 years.

- 4.8 It is not evidently clear the reason for the overall increase in vacant properties although the impact of the recession on both the economy(unemployment) and the housing market will be the primary cause nevertheless over 40% of the properties have been vacant for 2 or more years

Analysis of Long Term empty Properties										
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total	Band D Equiv.
6-12 Months	107	57	21	10	4	2	2	1	204	158
1-2 Years	82	51	22	10	6	3	1	0	175	135
2-3 Years	52	36	11	5	2	0	3	1	110	87
3 years plus	86	41	20	9	5	3	2	0	166	130
TOTAL	327	185	74	34	17	8	8	2	655	510

Similarly it is not clear whether any reduction in discounts will encourage the owners of these properties to bring them back into use or whether it will increase arrears and bad debts written off.

- 4.9 The Government are currently consulting on a New Homes Bonus Scheme. The consultation ends on the 24 December 2010 and includes a proposal to reward authorities for bringing empty properties back into use. Subject to the proposal being enacted the Council would receive £1,150 for every property that was brought back into use.
- 4.10 Members are requested to review its Long Term Empty Property Discount policy in setting this years Council Tax Base.

The table below indicates the impact of various Discount levels on the Council Tax Base

Discount	Number of Properties	Band D Equivalents
0%	37,449.70	30,807.85
10%	37,383.44	30,756.17
20%	37,317.16	30,704.56
30%	37,250.91	30,652.90
40%	37,184.63	30,601.28
50%	37,118.36	30,549.63

- 4.11 The Local Government Act 2003 also introduced a local discount. This direction gives billing authorities the power to reduce the amount of Council Tax payable in respect of any chargeable dwelling in their area. This may be reduced to nil and can be applied either on an individual or class of dwelling basis. This effectively allows the authority the power to introduce local discounts and exemptions for unusual circumstances. For example, to give relief in the event of a natural disaster such as serious flooding in part of a council's area, or to select, a class or group of taxpayers, such as pensioners, disabled etc.
- 4.12 However any such loss in revenue must be met by the billing authority and not passed onto the major precepting authorities and hence does not form part of the Council Tax Base calculation as such but is determined as part of the budget setting process with the billing authorities being required to transfer from its general fund to its collection fund the amount by which the council tax has been reduced by local discounts and exemptions.
- 4.13 In determining the Council Tax Base it is also necessary to determine the appropriate allowance for losses on collection. As previously, it is possible, with extreme optimism, to predict an ultimate collection rate approaching 100 %, but reality indicates that a collection rate of 99% ought to be anticipated in the initial stages. It is therefore recommended that the collection rate estimate of 99% be agreed for the year commencing 1 April 2011 based upon discounts remaining as at present however if the discount for long term properties is removed a 98.75% rate is recommended.
- 4.14 On the assumption that this is acceptable to the Council, the attached schedules show the result of the above deliberations on each of the Parishes, the un-parished area and the District as a whole.

- 4.15 For the year 1993-94, the Council determined that, in respect of Special Expenses, any expenses incurred by the Council in performing, in part of its area, a function performed elsewhere in its area by a parish or community council or the chairman of a parish meeting, would not be treated as special expenses for the purpose of Section 35 of Local Government Finance Act, 1992, and that this resolution would remain in force for the current and successive financial years until expressly rescinded, and, as it is not suggested that this decision be changed, no further action is necessary.

5. Conclusions and Reasons for the Recommendations

- 5.1 This report determines the amount to be used as the basis for the calculation of the Council Tax to be levied within the district for the financial year commencing 1 April 2011.

6. Other Options Considered

- 6.1 The options in respect of this report are detailed in Annex one

7. Report Author Details

Bob Kean, Head of Financial Management, Ext. 4334

ANNEX ONE						
	Tax Base based upon varying Long Term Empty Property Discounts					
	50%	40%	30%	20%	10%	0%
Brereton & Ravenhill	1,995.27	1,998.21	2,001.15	1,999.02	2,001.95	2,004.87
Bridgtown	392.34	394.66	396.99	398.31	400.62	402.94
Brindley Heath	255.75	256.45	257.15	257.20	257.91	258.62
Cannock Wood	407.66	408.38	409.10	408.79	409.50	410.21
Heath Hayes & Wimblebury	4,286.56	4,289.69	4,292.83	4,285.12	4,288.25	4,291.39
Hednesford	5,168.75	5,178.75	5,188.77	5,185.66	5,195.62	5,205.63
Norton Canes	2,313.06	2,314.90	2,316.76	2,312.77	2,314.62	2,316.49
Rugeley	5,605.46	5,612.73	5,619.94	5,612.98	5,620.20	5,627.42
Balance of the Area	9,819.30	9,841.50	9,863.69	9,860.91	9,883.06	9,905.20
Total	30,244.15	30,295.27	30,346.38	30,320.76	30,371.73	30,422.77

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Section 1

Contribution to Council Priorities (i.e. CHASE, Corporate Plan)

The determination of the Council Tax Base is an important part of the setting of an approved budget for 2011-12 and future years. The approved budget represents the agreed priorities of the council as determined by the Delivering Change process and hence have directly contributed to CHASE as part of a medium term financial strategy.

Section 2

Contribution to Promoting Community Engagement

There is no contribution to Promoting Community Engagement

Section 3

Financial Implications

It is important that the tax base is estimated as accurately as possible since it will be used to calculate the level of Council Tax determined by Council at its February/March meeting. Any errors will have the following effects:

- a A too optimistic view of the base will mean that insufficient funds are raised to meet outgoings, whilst
- b A too pessimistic view will mean that the Council Tax charge will be set too high, requiring tax payers to have to contribute more than is necessary.

The facility now exists to remove or reduce the level of discounts as included in the tax base; however the impact of this change is considered immaterial for this authority due to the very small number of second homes and financially neutral for long term empty properties with a corresponding adjustment to the Revenue Support Grant settlement .

There is however potential for a one off gain in 2011-12 with the Council Tax Base for RSG purposes being determined via the Calculation of Council tax Base Return submitted in October 2010.

The Council Tax Base with discounts remaining as at present is estimated to be 30,244.15 as compared to the Medium Term Projection forecast of 30,347.18 a reduction of 103.03 properties. The reduction reflects both a downturn in new properties but also an increase in unoccupied (exempt) properties.

The financial impact of varying long term empty property discounts , reflecting current Band D Council Tax amounts ,is as follows

Discount	Gross Taxbase before applying collection rate	Collection Rate	2011-12 Potential Savings
0%	30,807.85	98.75%	35,190
10%	30,756.17	98.75%	25,130
20%	30,704.56	98.75%	15,090
30%	30,652.90	99.00%	20,140
40%	30,601.28	99.00%	10,070
50%	30,549.63	99.00%	0

The revised Council Tax Base was reflected in the Draft General Fund Budget report considered by Cabinet at its meeting on the 25 November 2010.

Subject to the removal or reduction in the discount resulting in such properties being occupied and brought back into use the Council could potentially be rewarded by £1,150 per property in accordance with draft proposal as included in the New Homes Bonus scheme which is currently out to consultation.

Section 4

Legal Implications

There are no direct legal implications arising from this report.

Section 5

Human Resource Implications

There are no direct resource implications arising from this report.

Section 6

Section 17 Implications

There are no direct Section 17 implications arising from this report.

Section 7

Human Rights Act Implications

There are no Human Rights Act implications acting from this report.

Section 8

Data Protection Act Implications

There are no identified implications acting from this report.

Section 9

Risk Management Implications

There are no direct risk management implications arising from this report.

Section 10

Equality and Diversity Implications

There are no direct equality and diversity implications arising from this report.

Section 11

List of Background Papers

Return CTB1 as at October 2010.

Annexes

Annex 1 – Council Tax Base Calculation

Cannock Chase CouncilCalculation of Council Tax Base 2011-12

Band	Band A Disabled	A	B	C	D	E	F	G	H	Total			
List (No. of Properties)		13,854	13,061	7,467	4,610	1,662	566	259	19	41,498			
Exemptions (incl students)		-460	-256	-104	-63	-26	-8	-5	0	-922			
Diplomatic/Demolished		0	0	0	-1	0	0	0	0	-1			
Disabled - From Band - To Band		-62	-112	-84	-48	-15	-9	-15	-8	-353			
Chargeable Dwellings	(1)	62	112	84	48	15	9	15	8	353			
		62	13,444	12,777	7,327	4,513	1,630	564	247	11	40,575		
Discounts @ 25% (incl Single Occupancy)		14	6,081	3,993	1,754	727	250	83	30	4	12,936		
Discount at 25%	(2)	3.50	1,520.25	998.25	438.50	181.75	62.50	20.75	7.50	1.00	3,234.00		
Discounts @ 40% Standard Charge - not class A-U		0	328	194	73	32	14	7	10	2	660		
Discount at 40%	(3)	0.00	131.20	77.60	29.20	12.80	5.60	2.80	4.00	0.80	264.00		
Discounts @ 50% No Chargeable Occupiers		1	4	7	3	5	2	7	8	0	37		
Discount at 50%	(3)	0.50	2.00	3.50	1.50	2.50	1.00	3.50	4.00	0.00	18.50		
Total Discounts (2 + 3)	(4)	4.00	1,653.45	1,079.35	469.20	197.05	69.10	27.05	15.50	1.80	3,516.50		
Adjustments :-													
New Properties, etc - fye		0.00	6.75	58.14	28.77	35.88	3.00	2.63	0.00	0.00	135.17		
In-Year Discounts (-)		0.00	-0.91	-5.16	-1.43	-1.35	-0.08	-0.11	0.00	0.00	-9.04		
Other Equivalent Band D Adjustments		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Total Adjustments	(5)	0.00	5.84	52.98	27.34	34.53	2.92	2.52	0.00	0.00	126.13		
			3.8933333	41.206667	24.302222	34.53	3.5688889	3.64	0	0	111.14		
Equivalent Properties (Ratio to Band D)	(1 - 4 + 5)	58.00	11,796.39	11,750.63	6,885.14	4,350.48	1,563.82	539.47	231.50	9.20			
Equivalent Band D Properties	(0.5556	0.6667	0.7778	0.8889	1.0000	1.2222	1.4444	1.6667	2.0000)		
		32.22	7,864.26	9,139.38	6,120.13	4,350.48	1,911.34	779.24	385.83	18.40			
											Total Base (Equivalent Band D Properties)	30,601.28	
											Allowance	1 %	306.01
											Net Total Tax Base		30,295.27

