

**CABINET MEETING: 14 DECEMBER 2017**

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**CALCULATION OF COUNCIL TAX BASE**

**FINANCE, MODERNISATION & PERFORMANCE (COUNCILLOR  
CHRIS WEAVER)**

**AGENDA ITEM: 5**

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**CORPORATE DIRECTOR (RESOURCES)**

**Reason for this Report**

1. The information is required by the Welsh Government under its powers in section 68 of the Local Government Finance Act 1992, as amended. Cabinet has the authority to approve the Council Tax Base following the determination by Council in 2013 which delegated such further decisions to Cabinet.

**Background**

2. Section 33 of the Local Government Act 1992 requires each billing authority to calculate the Council Tax Base each year. The Local Authorities (Calculation of Council Tax Base)(Wales) Regulations 1995, as amended, contain rules for this calculation, which in essence, are as follows: -
  - a) Determine the number of chargeable dwellings in each valuation band, taking account of exemptions and anticipated changes during the year.
  - b) Adjust the numbers in each band to take account of the disablement reductions.
  - c) Allow for discounts in respect of unoccupied properties and those occupied by one person only.
  - d) Weight the adjusted total for each band to equate it to band D.
  - e) Repeat the calculation for each of the six Community Councils that issue precepts.

**Issues**

3. The Council Tax Base calculation is a complex annual exercise that is used by the Welsh Government (WG) for the distribution of Revenue

Support Grant. It is also used by the Council for calculating the Council Tax charges for each year. Appendices A to G set out the detailed calculation. As the Appendices are in a format prescribed by WG the following points explain the details included in those Appendices.

- The number of domestic dwellings in the valuation list in force at the 29 October is used and adjusted to take account of anticipated new properties, demolitions, appeals and exemptions which is represented as chargeable dwellings (line A1 Appendix A).
- Properties in receipt of disablement relief receive a reduction of 1 band in their amount payable. Lines A2 and A3 reflect these adjustments. For example the number of properties in band B (at line A1) amounting to 18,025 is reduced by 77 for those that will receive the 1 band reduction and increased by 280 for those properties coming down from band C. This gives a new total of 18,228.
- An estimate of the number of single person discounts (B2) and empty property discounts (B3) are also taken into account in the calculation. Line C1 represents the total number of equated single person discounts (25% discount each). This total is then divided by 4 to convert to assumed full properties and deducted from line A3 to reach the weighted total in line C2.
- To convert the total in each band to a band D equivalent the appropriate ratio as set out in line C3 is applied to reach the total band D equivalents in C4.

4. The total band D equivalent properties calculated are then adjusted to take account of the estimated collection rate, as well as any contributions in respect of M.o.D. properties, as follows: -

2017/18		2018/19
145,161.14	a) Total Discounted chargeable dwellings: band D equivalent	145,588.58
98.5%	b) Estimated Collection Rate	98.5%
142,983.72	a) x b)	143,404.75
48.55	M.o.D. exempt dwellings : band D equivalent	48.55
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143,032.27		143,453.30
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(143,032)		(143,453)

The table above shows an increase in the Council Tax Base of 421 properties at band D equivalent.

5. As set out in paragraph 3 to this report, the calculation of the Council Tax Base reflects a range of factors including changes to the number of domestic properties together with the anticipated level of discounts and exemptions that may apply to those properties. In this regard, a key

factor in recent years has been the significant growth in purpose built student accommodation in the City which whilst increasing the overall property base does not impact directly on the Council Tax base owing to the exemptions that apply to those properties when occupied. This has added a degree of complexity and uncertainty, not just in relation to the timing of completed accommodation but also in relation to the number of student properties that will be occupied in a given year and the wider impact in other areas of the City where changes to the number of students occupying properties in those areas might be expected.

6. In the calculation of the 2017/18 Council Tax Base, whilst these factors were taken into account the actual number of student exemptions has proved to be significantly higher than anticipated which has impacted on the current amount of Council Tax to be collected. This will be reflected in the Council's Month Nine Monitoring Report which is expected to show a worsening of the position in relation to Council Tax collected compared to budget in the current financial year. This also impacts on the calculation of the 2018/19 Council Tax Base in that the increased level of exemptions in the current financial year which are not currently reflected in the 2017/18 Base have to be taken into account. This is reflected in the calculations set out in paragraph 4 to this report with the effect that this has significantly reduced the anticipated year on year increase in the Council Tax Base for 2018/19, partly offsetting the real increase in the number of new properties anticipated during this period. Further increases to purpose built student accommodation are also anticipated in 2018/19 and this has been reflected in the Council Tax Base calculations together with an assessment of the likely level of exemptions.
7. There is an expectation that over time the areas of the city that have housed significant numbers of students in residential properties may revert to family dwellings and this should lead to an increase in council tax collected. However, the timing of this change is uncertain and may become noticeable only over the medium term. As the scale of development reflected in the Local Development Plan and Cardiff Living (formerly the Housing Partnership Programme) starts to become evident the council will see significant increases in new properties each year with commensurate increases in the Council Tax Base.

### **Council Tax Collection Rate**

8. WG assume 100% of the tax base for Revenue Support Grant, however, for Council Tax setting purposes it is necessary to assume an ultimate collection rate to use in the budget for 2018/19. It is proposed to keep the ultimate collection rate at 98.5%. As can be seen in the table below since 2013/14 the ultimate collection rate has increased from 97.7% to the current level of 98.5%, an increase of 0.8%. Due to potential impacts as a result of changes in welfare arrangements, uncertainties about the economy and inflation, it is prudent to continue with the current estimated ultimate collection rate for 2018/19. This position will continue to be kept under review and closely monitored.

Financial Year	Ultimate Collection Rate
2013/14	97.7%
2014/15	98.2%
2015/16	98.3%
2016/17	98.5%
2017/18	98.5%

#### Schedule of precept payments

9. Regulations require that by 31 December each year the Council inform each of its precepting authorities of the proposed dates of monthly precept payments in the following year and determines a payments schedule by 31 January.
10. Currently instalment payments to the South Wales Police Authority are paid on the last working day of each month and to the Community Councils on 1 April, and it is recommended that these arrangements should continue for 2018/19.

#### **Reasons for Recommendations**

11. It is a statutory obligation for the Council to agree its Council Tax Base annually and this figure is used for Council Tax setting.

#### **Legal Implications**

12. The Council Tax Base is essentially the constituency of Council Tax payers having regard to the fact that some persons will be entitled to reductions in Council Tax and others will be eligible for exemptions from payment. The Council Tax Base is calculated in accordance with a complicated formula laid down in the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as amended.
13. The central provision is regulation 3, which provides that the Council Tax Base is calculated by multiplying the total of the 'relevant amounts' by the authority's estimate of its collection rate for the year. It is therefore necessary to identify both the 'relevant amount' and the 'collection rate'.
14. Regulation 3 of the Local Authorities (Calculation of Council Tax Base) and the Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2000 inserts a new regulation 5A into the 1995 Regulations. This provides for the calculation of "the relevant amounts" by a billing authority for financial years beginning on or after 1 April 2005. The relevant amount for each Council Tax band is a measure of the number of dwellings in that band after taking account of exempt dwellings and discounts.
15. The 'relevant amount' is the maximum sum which the authority would recover in respect of the dwellings in the particular band. However, the regulations anticipate that this will not always be the case. Thus in order to ascertain the Council Tax Base, it is necessary to determine the collection rate. This is governed by regulation 3 of the 1995 Regulations.

The Council must estimate its collection rate for the financial year by estimating the aggregate of the amounts in respect of Council Tax for the year which are likely to be paid to the Council expressed as a proportion of its estimate of the total of such amounts which are payable to the Council taking into account certain discounts. In order to calculate the Council Tax Base, the authority then adds up the total of the relevant amounts previously calculated and multiplies this by the estimate of the collection rate. This leaves the 'Council Tax Base'. The sum which the authority has calculated must be raised locally and is then divided by the Council Tax Base figure to give the 'basic amount of Council Tax' as defined in section 33 of the Local Government Finance Act 1992.

16. The relevant day for the financial year commencing 1 April 2018 will be 29 October 2017.
17. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

### **Financial Implications**

18. The Council Tax Base will be used to set the specific Council Tax charges for 2018/19 when the budget is approved. There are a large number of variables that are included in this calculation such as new properties, demolitions, effect of appeals, changes to discounts and exemptions and it is important to ensure that the resulting estimate of properties is as accurate as possible as a small percentage variance could result in a large difference against the budget. The tax base calculation is also used by the Welsh Government for the determination of the distribution of Revenue Support Grant. The final financial settlement from the Welsh Government will include the redistribution impact of these figures across Wales.
19. The increase in the tax base as set out in this report is estimated to generate an additional £554,777 in 2018/19 without raising the actual rate of tax. Of this sum, £91,879 represents the extra revenue for the Police and Crime Commissioner for South Wales whilst Cardiff Council will receive an extra £462,898. At present, this additional income has not been taken into account in the Council's draft budget position as there may be a consequential adjustment to RSG as a result of the relative changes to council tax bases across Wales. Any such changes will be reflected in the final Financial Settlement from WG in December.

## RECOMMENDATIONS

Cabinet is recommend to:

- (1) Agree that the calculation of the Council's tax base for the year 2018/19 be approved;
- (2) agree that pursuant to this report and in accordance with the Local Authorities (Calculation of Tax Base) (Wales) Regulations 1995, as amended, the amount calculated by Cardiff Council as its Council Tax Base for the year 2018/2019 shall be 143,453;
- (3) agree that pursuant to this report and in accordance with the Local Authorities (Calculation of Tax Base) (Wales) Regulations 1995, as amended, the amounts calculated by the Council as the Council Tax Base for the year 2018/19 in the community areas subject to a precept shall be as follows:-

Lisvane	2,350
Pentyrch	3,263
Radyr	3,709
St. Fagans	1,311
Old St. Mellons	1,543
Tongwynlais	823

- (4) Agree that the arrangements for the payment of precepts in 2018/19 to the South Wales Police Authority be by equal instalments on the last working day of each month from April 2018 to March 2019 and the Community Councils be by one payment on 1 April 2018, be on the same basis as that used in 2017/18 and the precepting authorities be advised accordingly.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
8 December 2017

*The following Appendices are attached:*

- Appendix A: Calculation of the Council Tax Base for the City and County of Cardiff
- Appendices B-G: Calculation of the Council Tax Base for the 6 Community Councils