

CALCULATION OF COUNCIL TAX BASE

**FINANCE, MODERNISATION AND PERFORMANCE
(COUNCILLOR WEAVER)**

AGENDA ITEM: 8

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 31 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 18,288 is reduced by 81 for those that will receive the 1 band reduction and increased by 294 for those properties coming down from band C. This gives a new total of 18,501.
- 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: -

2018/19		2019/20
145,588.58	Total Discounted chargeable dwellings: band D equivalent (a)	147,665.11
98.5%	Estimated Collection Rate (b)	98.5%
143,404.75	(a) x (b)	145,450.13
48.55	M.o.D. exempt dwellings: band D equivalent	48.55
143,453.30		145,498.68
(143,453)		(145,499)

The table above shows an increase in the Council Tax Base of 2,046 properties at band D equivalent.

5. The rate of property growth in the city has increased and this year there has been a further emphasis on dedicated student properties. At the time that the Council Tax Base was set last year, it was anticipated that an additional 1,886 properties would come into the Council Tax list during 2018/19 of which 535 would be student properties.
6. There has been a significant increase in the number of properties in receipt of student exemptions. There was an expectation that there

would be a general movement of students away from the traditional terraced housing into the new purpose built student accommodation. The assumption was that this movement and the general increase in student numbers would result in an increase in overall costs of exemptions but it would be mitigated by some movement out of the traditional houses. So far this year, there has been an increase in new purpose built properties without the reduction in traditional student properties.

7. Alongside the changes in property numbers and predicted exemptions there is an additional factor to be considered this year. Council, on 29 November approved the removal of the 50% discount that is currently granted to dwellings that are unoccupied and unfurnished and the impact of this discount has been built into the 2019/20 council tax base calculation. Cabinet, at their meeting on 15 November approved a public consultation on the application of discretionary powers that are available to charge council tax premiums for long term dwellings. No account of the potential premiums has been included as premiums do not form part of the calculation of the council tax base.
8. As a result of the matters identified above, the calculations have been updated to ensure that they accurately reflect the current demographic makeup of properties and occupancy within the city . As a result of this, the net overall position in the Council Tax Base for 2019/20 has increased due to the removal of the 50% discounts together with the adjustments relating to the property growth and associated predictions of exemptions within the city. In future years due to the Local Development Plan and Cardiff Living (formerly the Housing Partnership Programme) it is anticipated the scale of development will continue to see significant increases in new properties each year and commensurate increases in the tax base.
9. 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 for 2019/20. It is proposed to keep the ultimate collection rate at 98.5%. As can be seen in the following table, 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 including the roll out of universal credit and the impact on council tax reduction; the removal of the option for committal as part of recovery action; the change to discounts together with uncertainties about the economy and inflation, it is prudent to continue with the current estimated ultimate collection rate for 2019/20. 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%
2018/19	98.5%

Schedule of precept payments

10. 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.
11. Currently instalment payments to The Police and Crime Commissioner for South Wales 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 2019/20.

Reasons for Recommendations

12. 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

13. 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.
14. 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'.
15. 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.
16. 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.

17. The relevant day for the financial year commencing 1 April 2019 will be 31 October 2018.
18. 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

19. The Council Tax Base will be used to set the specific Council Tax charges for 2019/20 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. 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.
20. The increase in the tax base, as set out in this report, is estimated to generate an additional £2,839,889 in 2019/20 without raising the actual rate of tax. However, of this total £926,503 relates to the decision to abolish the 50% empty property discount which will increase council tax charges for some individuals who currently are not required to pay the full amount. The £2,839,889 represents additional revenue for the Police and Crime Commissioner for South Wales of £477,782 whilst Cardiff Council will receive an additional £2,362,107. At present, this is not taken into account in the draft budget position. Established practice is to wait until the Final Financial Settlement from WG before taking any benefits from increased Council Tax Base. This is due to the fact that if a Council's Council Tax Base increases relative to the tax base of other Councils, then Revenue Support Grant will reduce as a direct consequence.

RECOMMENDATIONS

Cabinet is recommend to agree that

- (1) the calculation of the Council's tax base for the year 2019/20 be approved;
- (2) 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 2019/20 shall be 145,499;
- (3) 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 2019/20 in the community areas subject to a precept shall be as follows:-

Lisvane	2,409
Pentyrch	3,280
Radyr	3,783
St. Fagans	1,423
Old St. Mellons	1,828
Tongwynlais	817

- (4) that the arrangements for the payment of precepts in 2019/20 to the Police and Crime Commissioner for South Wales to be by equal instalments on the last working day of each month from April 2019 to March 2020 and the Community Councils be by one payment on 1 April 2019, be on the same basis as that used in 2018/19 and the precepting authorities be advised accordingly.

SENIOR RESPONSIBLE OFFICER	CHRISTINE SALTER Corporate Director Resources
	7 December 2018

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