

CABINET MEETING: 19 DECEMBER 2019

CALCULATION OF THE COUNCIL TAX BASE

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

AGENDA ITEM: 6

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 disregarded individuals and those occupied by one person only.
 - d) Adjust for premiums on long term empty properties and second homes
 - e) Weight the adjusted total for each band to equate it to band D.
 - f) 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 18,599 is reduced by 82 for those that will receive the 1 band reduction and increased by 299 for those properties coming down from band C. This gives a new total of 18,816.
 - An estimate of the number of single person discounts (B2), double discounts (B3) and premium for long term empty properties (B3c) are also taken into account in the calculation. The total in line C2 takes the total (A3) and adjusts for the weighted number of discounts and second home premium deducted from line A3.
 - 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:

2019/20		2020/21
147,665.11	Total Discounted chargeable dwellings: band D equivalent (a)	149,470.06
98.5%	Estimated Collection Rate (b)	98.5%
145,450.13	(a) x (b)	147,228.01
48.55	M.o.D. exempt dwellings: band D equivalent	48.55
145,498.68		147,276.56
(145,499)		(147,277)

The table above shows an increase in the Council Tax Base of 1,778 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 2,758 properties would come into the Council Tax list during 2019/20 of which 1,130 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. In November 2018, Council approved the removal of the 50% discount granted to unoccupied and unfurnished dwellings from 1 April 2019. In January 2019 Council agreed to introduce a council tax premium for long term empty dwellings that have been unoccupied and substantially unfurnished for a period of 12 months or more.
8. The council tax base calculations have been reviewed to ensure that they reflect the current demographic makeup of properties and occupancy 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 increases in new properties and commensurate increases in the tax base.
9. Welsh Government 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 2020/21. 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 2020/21. 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%
2019/20	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 2020/21.

Reason 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.

Financial Implications

13. The Council Tax Base will be used to set the specific Council Tax charges for 2020/21 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.
14. The increase in the tax base, as set out in this report, is estimated to generate an additional £2,611,153 in 2020/21 without raising the actual rate of tax. The £2,611,153 represents additional revenue for the Police and Crime Commissioner for South Wales of £457,871 whilst Cardiff Council will receive an additional £2,153,282. At present, this is not taken into account in the draft budget position. Established practice is to wait until the Final Financial Settlement from Welsh Government 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.

Legal Implications

15. 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.
16. 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'.
17. 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.

18. 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.
19. The relevant day for the financial year commencing 1 April 2020 will be 31 October 2019.
20. 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.

RECOMMENDATIONS

Cabinet is recommend to agree

- (1) That the calculation of the Council's tax base for the year 2020/21 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 2020/21 shall be 147,277;
- (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 2020/21 in the community areas subject to a precept shall be as follows:

Lisvane	2,499
Pentyrch	3,316

Radyr	3,841
St. Fagans	1,592
Old St. Mellons	2,047
Tongwynlais	820

- (4) that the arrangements for the payment of precepts in 2020/21 to the Police and Crime Commissioner for South Wales to be by equal instalments on the last working day of each month from April 2020 to March 2021 and the Community Councils be by one payment on 1 April 2020, be on the same basis as that used in 2019/20 and the precepting authorities be advised accordingly.

SENIOR RESPONSIBLE OFFICER	Chris Lee Corporate Director Resources
	13 December 2019

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