

CABINET MEETING: 14 DECEMBER 2023

CALCULATION OF THE COUNCIL TAX BASE

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

AGENDA ITEM: 6

Reason for this Report

1. To seek approval of the Council Tax Base for 2024/25 which the authority is required to calculate in accordance with the statutory provisions governing Council Tax under Part 1 of the Local Government Finance Act 1992.

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 18,263 is reduced by 102 for those that will receive the 1 band reduction and increased by 346 for those properties coming down from band C. This gives a new total of 18,507.
 - An estimate of the number of single person discounts (B2a), double discounts (B2b) and premiums for long term empty properties and second homes (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 premiums.
 - 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 Ministry of Defence properties, as follows:

2023/24		2024/25
152,724.02	Total Discounted chargeable dwellings: band D equivalent (a)	153,629.44
98.50%	Estimated Collection Rate (b)	98.50%
150,433.16	(a) x (b)	151,325.00
48.55	M.o.D. exempt dwellings: band D equivalent	47.00
150,481.71		151,372.00
150,482	Council Tax Base for tax-setting purposes	151,372

The table above shows an increase in the Council Tax Base of 890 properties at band D equivalent.

5. In previous years, the large increases in development were primarily due to new purpose-built student accommodation. Although we are expecting the scale of development to decrease with very small amount of student development in 2023/24 and 2024/25, there is still significant level of investment in new properties in the city.
6. The increase in the level of premium for long term empty properties from 50% to 100% and the introduction of the premium for second home properties has also increased the base.
7. The review and subsequent realignment of exemptions included in the base has had a dampening effect on the increasing base.
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 it is anticipated the scale of development will continue to see increases in new properties and commensurate increases in the tax base.
9. For Council Tax setting purposes, it is necessary to assume an ultimate collection rate for 2024/25. The ultimate collection rate reflects the final position achieved after a number of years of collection rather than the in-year position. Since 2016/17 we have used an ultimate collection rate of 98.5%. There have been reduced in-year collection rates in the last few years due to Covid-19, the cost-of-living crisis and the introduction of premiums but it is still too early to determine whether these will have an impact on the ultimate collection rate or whether the rate will continue to be achieved but over a longer period of time. The most appropriate estimate of our ultimate collection rate is still 98.5%. This position will continue to be kept under review.

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 2024/25.

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 2024/25 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. Whilst the council tax premiums are quantified and included as part of the council tax base calculation the resultant adjustment ensures that local authorities retain any additional income generated by the premium and does not result in any compensating reduction to revenue support.
15. The increase in the tax base, as set out in this report, is estimated to generate an additional £1,523,627 in 2024/25 without raising the actual rate of tax. The £1,523,627 represents additional revenue for the Police and Crime Commissioner for South Wales of £288,779 whilst Cardiff Council will receive an additional £1,234,848. 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

16. 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 ("the Regulations").
17. 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'.
18. Regulation 3 of the Regulations provides the formula for calculation of the Council Tax Base, using certain "relevant amounts", which are calculated, from April 2017, according to a formula set out in Regulation 5B. 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, discounts and premiums.

19. 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, which is estimated in accordance Regulation 3 of the 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'.
20. The sum which the authority calculates must be raised locally in accordance with its approved budget 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.
21. The Well-being of Future Generations (Wales) Act 2015 requires the Council to consider how its decisions will contribute towards meeting the well being objectives as set out in the [Corporate Plan 2023 to 2026 \(cardiff.gov.uk\)](https://www.cardiff.gov.uk/corporate-plan-2023-to-2026). Members must also be satisfied that the decision complies with the sustainable development principle, which requires that the needs of the present are met without compromising the ability of future generations to meet their own needs.
22. Calculation of the Council Tax Base is a local choice function, allocated in Section 3 of the Scheme of Delegations to Council. At the Council meeting in December 2013, the Council agreed to allocate responsibility for calculation of the Council Tax Base to the Cabinet (Council minute 129(5)).
23. 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.

Property Implications

24. The Strategic Estates Department have reviewed report in respect of the calculation of the Council's tax base and there are no particular issues identified, at this stage, from a property implications perspective for its non-residential estate. Any matters involving the Council's non-residential estate should be done so in accordance with the Council's Asset Management process and in consultation with Strategic Estates and relevant service areas.

HR Implications

25. There are no HR implications for this report.

RECOMMENDATIONS

Cabinet is recommend to approve the following resolutions:

- (1) the calculation of the Council's tax base for the year 2024/25 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 2024/25 shall be 151,372.
- (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 2024/25 in the community areas subject to a precept shall be as follows:

Lisvane	3,068
Pentyrch	3,709
Radyr	4,090
St. Fagans	2,006
Old St. Mellons	2,512
Tongwynlais	830

- (4) that the arrangements for the payment of precepts in 2024/25 to the Police and Crime Commissioner for South Wales be by equal instalments on the last working day of each month from April 2024 to March 2025; and to the Community Councils, be by one payment on the first working day of April 2024, reflecting the same basis as that used in 2023/24; and the precepting authorities be advised accordingly.

SENIOR RESPONSIBLE OFFICER	CHRISTOPHER LEE
	Corporate Director Resources 8 December 2023

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

Background papers

Council report, 'Calculation of Council Tax Base', 19 December 2013; and minutes thereof