

## SETTING THE COUNCIL TAX TAXBASE FOR 2012/13

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### 1. Summary

- 1.1 In order to determine the appropriate Council Tax levels for Shropshire Council, it is necessary to determine the Council Tax taxbase for the area. The budget requirements of the various precepting authorities are divided by this figure to arrive at the Band D Council Tax.
- 1.2 For 2012/13 the Council Tax taxbase will be 109,997.75, this is an increase of 0.57% over 2011/12.
- 1.3 The Council Tax taxbase has a direct impact on the Council Tax that will be levied by the Council for 2012/13 and the level of Revenue Support Grant (RSG) the Council receives. To assess the full financial implications it is necessary to consider the Council's expenditure for 2012/13 and the grant settlement. These will be addressed in the Budget Strategy for 2012/13.

### 2. Recommendations

Members are asked:

- 2.1 To approve, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 as amended, the amount calculated by Shropshire Council as its Council Tax taxbase for the 2012/13, as detailed in the Appendix to the report, totalling 109,997.95.
- 2.2 To note the inclusion of 512.80 Band D equivalents in the taxbase for continuation of the second homes discount at 10% in accordance with present Council policy.
- 2.3 To note the exclusion of 331.12 Band D equivalents from the taxbase for continuation of the long-term empty properties discount, i.e. awarding the full 50% discount for six months and completely removing this discount after six months, in accordance with present Council policy.
- 2.4 To note the reduction in the Council Tax income raised of £390,508 as a result of continuation of the long-term empty properties discount in accordance with present Council policy.
- 2.5 To approve a collection rate for 2012/13 of 98.50%

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1 This is a well understood albeit complex process and any potential for error is mitigated to a large extent by adhering to the relevant legislation and through independent checks on the working papers.
- 3.2 Details of the potential risk in relation to establishing a collection rate allowance is detailed within this report in section 5.4.

### **4. Financial Implications**

- 4.1 The Council Tax taxbase figure impacts on the Council Tax that will be levied by the Council for 2012/13.
- 4.2 The Council Tax taxbase figure is used to determine the level of Revenue Support Grant the Council receives. In order to maximise the level of Revenue Support Grant an adjustment is made for estimated numbers of properties that are part of any new build development due for completion during 2012/13.
- 4.3 The implications of the Councils current decision on awarding a 10% discount in respect of second homes is detailed in section 5.2.2.
- 4.4 The implications of the Councils current decision to implement a 50% discount for the first six months on empty homes are detailed in Section 5.2.4.
- 4.5 The implications regarding the determined collection rate are detailed in section 5.4.3.

### **5. 1 Background**

- 5.1.1 Shropshire Council has responsibility for determining the Council Tax taxbase for the Council's geographical area.
- 5.1.2 The taxbase for Council Tax must be set between 01<sup>st</sup> December 2011 and 31<sup>st</sup> January 2012 in relation to 2012/13, as prescribed by the Local Authorities (Calculation of Council Tax Base) Regulations 1992 as amended.
- 5.1.3 The Council is also required to inform the major precepting authorities, West Mercia Police Authority and Shropshire & Wrekin Fire Authority, of the taxbase in order to enable the calculation of Council Tax for the following year. Each town and parish council is also notified of its own Council Tax taxbase.
- 5.1.4 The purpose of this report, therefore, is to determine and approve the Council Tax taxbase for Shropshire Council for 2012/13.

## 5.2 Second Homes and Long-Term Empty Properties Discretionary Discount Policies

- 5.2.1 The Local Government Act 2003 gave councils new discretionary powers to reduce the 50% Council Tax discount previously awarded in respect of second homes with effect from 01<sup>st</sup> April 2004. Second homes are defined as furnished properties which are not occupied as a person's main residence and include furnished properties that are unoccupied between tenancies. Councils retain the additional income raised by reducing the second homes Council Tax discount.
- 5.2.2 The figures used for the 2012/13 Council Tax taxbase allow for the continuation of the decision previously approved by Council to award a 10% Council Tax discount in respect of second homes. Continuation of this policy results in the inclusion of 512.80 Band D equivalents in the taxbase.
- 5.2.3 The Act also gave Councils new discretionary powers to reduce or remove the 50% Council Tax discount previously awarded in respect of long-term empty properties with effect from 01<sup>st</sup> April 2004. Empty properties, i.e. those which are unoccupied and unfurnished are initially exempt from Council Tax for up to a period of six months. A property is classed as long-term empty if it has been empty and unfurnished for more than six months and does not qualify for an exemption.
- 5.2.4 The figures used for the 2012/13 Council Tax taxbase also allow for the continuation of the decision previously approved by the Council in respect of long-term empty properties, i.e. to award the full 50% discount for six months and completely remove the discount after six months. Continuation of this policy results in the exclusion of 331.12 Band D equivalents from the taxbase and a consequential reduction in the Council Tax income raised of £390,508.

## 5.3 Taxbase Calculation

- 5.3.1 Based on the valuation list, the Council Tax taxbase is the number of properties in the area falling within each Council Tax property valuation band, modified to take account of the adjustments set out below. Taxbase is expressed as a Band D equivalent.
- 5.3.2 An analysis of Council Tax Bands within Shropshire Council is detailed below:

Property Band	House Value	Ratio to Band D	Analysis of Dwellings on the Valuation List (as at 12 September 2011)	% Increase / (Decrease) over 2011/12
A	Under £40,000	6/9	19.1	0.4
B	40,001 - 52,000	7/9	25.8	0.8
C	52,001 - 68,000	8/9	20.8	0.7
D	68,001 - 88,000	9/9	14.4	0.6
E	88,001 - 120,000	11/9	10.7	0.4
F	120,001 - 160,000	13/9	5.7	1.0
G	160,001 - 320,000	15/9	3.2	0.7
H	Over 320,000	18/9	0.2	0.3

5.3.3 There are 133,712 properties in the valuation list for the Shropshire Council area. This compares with a figure of 132,863 in the list at the same time last year. There has been an increase of 849 properties overall, which equates to 0.6% and the number of properties in all property bands has increased.

5.3.4 The methodology followed for calculating the taxbase is as follows:

- Ascertain the number of properties on each Council Tax band (A to H) shown in the valuation list as at 12 September 2011.
- Adjust for estimated changes in the number of properties through new build, demolitions and exemptions.
- The number of discounts and disabled relief allowances which apply as at 3<sup>rd</sup> October 2011.
- Convert the number of properties in each Council Tax band to Band D equivalents by using the ratio of each band to Band D and so arrive at the total number of Band D equivalents for the Council.
- Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year.

These calculations are undertaken for each property band in each parish.

## **5.4 Collection Rate**

5.4.1 In determining the taxbase, an allowance has to be made to provide for changes to the taxbase during the year (e.g. due to new properties, appeals against banding, additional discounts, etc.) as well as losses on collection arising from non-payment. This is achieved by estimating a Council Tax collection rate for the year and must be common for the whole of Shropshire.

5.4.2 A collection rate of 98.5% was assumed for the 2011/12 financial year and it is recommended that a collection rate of 98.5% should also be assumed for the purpose of determining the Council Tax taxbase in 2012/13.

5.4.3 If the actual rate exceeds 98.5% a surplus is generated, which is shared between the Unitary Council, West Mercia Police Authority and Shropshire & Wrekin Fire Authority, pro rata to their demand on the Collection Fund for the relevant year. Conversely, any shortfall in the collection rate results in a deficit, which is shared in a similar manner. The surplus or deficit is taken into account in setting the Council Tax in the following year

## **5.5 Council Tax Base**

5.5.1 The estimated Council Tax taxbase for the whole of the area will be used by this Council to calculate its Council Tax Levy. It will also be used by West Mercia Police Authority and Shropshire & Wrekin Fire Authority to calculate the levy in respect of their precepts.

5.5.2 The Council Tax taxbase for this purpose is 109,997.75 Band D equivalents. The detailed build of this figure analysed by both parish and town council and Environment Agency region is shown in the Appendix to the report.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

**Cabinet Member (Portfolio Holder)**

Keith Barrow, Leader of the Council.

**Local Member**

N/A

**Appendices**

2012/13 Parish and Town Council Tax Taxbase Summary for Shropshire Council.