



DERBY CITY COUNCIL

**COUNCIL CABINET  
17 JANUARY 2006**

Cabinet Member for Corporate Policy

## **Council Tax Base for 2006/07**

### **SUMMARY**

- 1.1 The Council has to calculate the 'Council Tax Base' for 2006/07 as a means of raising council tax income from Derby council tax payers.
- 1.2 The tax base is an estimated figure which equates to the effective number of domestic properties in terms of Band D in the Council's area during the year. It is used to translate total council tax income requirements in a headline charge for Band D. Charges for other bands are calculated as defined fractions of the headline charge.
- 1.3 Due to the continued growth in the number of domestic properties the Council Tax Base can be increased from 68,589.4 to 68,966 Band D equivalent properties.
- 1.4 Subject to any issues raised at the meeting, I support the following recommendation.

### **RECOMMENDATION**

2. That pursuant to the report and in accordance with the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 (SI 12003/3012), Cabinet agrees the council tax base for the year 2006/07 as 68,966 band D equivalent properties be approved in accordance with the methodology and estimates shown at appendices 2 and 3.

### **REASON FOR RECOMMENDATION**

3. Agreeing the Council Tax Base is the first step in the process of setting the Council Tax to be collected in the following financial year. It is an essential part of establishing the 2006/07 budget.

**Council Tax Base 2006/07****SUPPORTING INFORMATION**

- 1.1 The calculation of the council tax base for the City is a key stage in the budget setting process and will form the basis for the council tax charge for the Council's council tax payers for 2006/07. The tax base has to also be notified to Derbyshire Police Authority and Derbyshire Fire Authority by 31 January 2006 so that they can set their precept for all the council tax payers in Derbyshire.
- 1.2 The Council has to calculate the 'Council Tax Base' for 2006/07 as a means of raising council tax income from Derby council tax payers. The tax base is an estimated figure which equates to the effective number of domestic properties in terms of Band D in the Council's area during the year. It is used as a divisor to translate total council tax income requirements in a 'headline' charge for Band D. Charges for other bands are calculated as defined fractions of the headline charge.
- 1.3 By law, the Council must calculate its council tax base for 2006/07 by no later than 31 January 2006.
- 1.4 Appendix 2 explains the statutory formulae which are used in the estimates and gives details of how the recommended tax base figure has been worked out. A prudent allowance for non-collection of 1.6% has been made as a best estimate in the context of current collection performance.
- 1.5 The tax base calculations are shown at appendix 3 which shows our estimated tax base to be 70,087.43 Band D equivalent properties. This figure corresponds closely to the Government's projected tax base calculations which they have done for the first time and used for 2006/07's proposed Revenue Support Grant Settlement purposes of 70,057.2 Band D equivalent properties. It is considered better to use our own calculations for the 2006/07 budget setting process, to reflect local knowledge of trends. Applying the non-collection allowance of 1.6% to the estimated tax base of 70,087.43 gives a rounded Band D equivalent taxbase of 68,966.

**OTHER OPTIONS CONSIDERED**

2. Setting the Council Tax Base is a statutory duty.

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| <b>Background papers:</b>            | None  |
| <b>List of appendices:</b>           | Appendix 1 – Implications<br>Appendix 2 – Government's tax base methodology<br>Appendix 3 – Calculation of relevant amounts |

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| <b>IMPLICATIONS</b> |
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**Financial**

1. The estimated council tax base for 2006/07 of 68,966 compares with 68,589.4 used for 2005/06 tax setting purposes. The increase is due to the continued growth in the number of domestic properties.

**Legal**

2. The Council is required to calculate its tax base under the Local Government Finance Act 1992, Section 33(1), and the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003. The Council has a duty to notify Derbyshire Police Authority and Derbyshire Fire Authority of its council tax base by 31 January 2006.

**Personnel**

3. None.

**Equalities impact**

4. None.

**Corporate objectives and priorities for change**

5. This report is the first step in setting the Council Tax for the forthcoming financial year. As such, it is part of the income generating process for the Council. It therefore links to all the Council objectives, as the Council needs the income from Council Tax to fund its activities.

## COUNCIL TAX BASE FOR 2006/07

### Calculation required:

- 1.1 When a billing authority calculates the basic amount of its council tax a year, it must do so by applying the statutory formula:

$$\frac{R - P}{T}$$

In this formula:

R is its total budget requirement

P is the expected total of grants and amounts received from the national non-domestic rates pool

T is the authority's tax base.

- 1.2 The Council must calculate the tax base (item T) between 20 December and 31 January 2006. It must do so by totalling the 'relevant amounts' for all the valuation bands in its valuation list and multiplying the result by its 'collection rate.'
- 1.3 The relevant amount for a band is the effective number of properties in the band during the year after allowing for discounts, expressed in terms of Band D equivalents.

It is calculated by applying the statutory formula  $(H - Q + J \times (F/G))$

In this formula:

H is the number of chargeable dwellings in the Valuation List on 30 November in the previous year after allowing for exemptions, and the down banding of properties adapted for disabled people. Properties in Band A which are adapted for disabled people are treated as if they were in an additional band.

Q is a factor to take account of the discounts to which the amount of council tax payable was subject on the 30 November in the previous year.

J is an adjustment for anticipated changes in the number of chargeable dwellings or discounts, expressed as the difference between:

- (a) the estimated number of chargeable dwellings not included in H which will be in the Valuation List for all or part of the financial year, plus 25% of the estimated number of discounts included in I which will not apply for all or part of the financial year, and
- (b) the estimated number of chargeable dwellings included in H which will not be in the Valuation List, or will be exempt, for all or part of the financial year, plus 25% of the discounts not included in I which will apply for all or part of the financial year.

In estimating number of properties, down-banding of properties adapted for disabled people has to be allowed for.

Numbers of dwelling or discounts which will apply for only part of the financial year have to be proportionately reduced.

$\frac{E}{G}$  is the statutory ratio of charges for the particular band to charges for Band D

- 1.4 The collection rate is the percentage of the amount charged which the Council estimates it will ultimately succeed in collecting over time.

### **Calculations for 2006/07**

- 2.1 The total of the relevant amounts for 2006/07 is 70087.43. Details of this calculation are shown in Appendix 3
- 2.2 The estimate of the Council's collection rate for 2006/07 is 98.4%. This has been estimated in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003, taking into account all known factors which may affect the amounts ultimately to be paid to the Council. Collection performance to date indicates that this is a best estimate.
- 2.3 The council tax base calculated by applying the statutory formula is:
- $$70087.43 \times 98.4\% = 68966$$

## APPENDIX 3

### COUNCIL TAX BASE FOR 2006/07 Calculation of relevant amounts

| Valuation Band | Number of properties per Valuation List 30.11.05 | Number of chargeable dwellings after exemptions 30.11.05 (H) | Number of single person discounts and disregards 30.11.05 | Number of long term void properties for which 90% charge to be levied 30.11.05 | Number of double discounts (50% charge) 30.11.05 | Total net effect of discounts (Q) | Adjustment for future changes (J) | Proportion of Band D (F/G) | Relevant amount (ie Band D equivalent) |
|----------------|--|--|---|--|--|-----------------------------------|-----------------------------------|----------------------------|--|
| A*             |  | 86   | 24  | 0  | 0  | -6                                | -3.40                             | 5/9                        | 42.56                                  |
| A              | 54032  | 51434  | 26222   | 1456   | 68   | -6735.1                           | -296.80                           | 6/9                        | 29601.40                               |
| B              | 18524  | 18022  | 6490  | 292  | 18   | -1660.7                           | 39.45                             | 7/9                        | 12756.14                               |
| C              | 15100  | 14712  | 4372  | 254  | 27   | -1131.9                           | 58.75                             | 8/9                        | 12123.42                               |
| D              | 7885   | 7713   | 1731  | 92   | 14   | -448.95                           | 43.25                             | 9/9                        | 7307.30                                |
| E              | 3994   | 3868   | 542   | 44   | 10   | -144.9                            | 30.52                             | 11/9                       | 4587.76                                |
| F              | 1966   | 1958   | 214   | 21   | 39   | -75.1                             | 36.48                             | 13/9                       | 2772.44                                |
| G              | 587  | 552  | 61  | 6  | 29   | -30.35                            | 5.00                              | 15/9                       | 877.75                                 |
| H              | 44   | 11   | 0   | 2  | 3  | -1.7                              | 0.03                              | 18/9                       | 18.66                                  |
| Total          | 102082   | 98356  | 39656   | 2167   | 208  | -10234.70                         | -86.72                            |                            | 70087.43                               |

A\* signifies band A properties subject to disabled relief

TOTAL RELEVANT AMOUNT 70087.43

Council tax base after adjustment for non-collection =  $70087.43 \times \frac{98.4}{100}$  = 68966

**Notes:**

- (1) Reference in brackets to (H) and (Q) to (J) correspond with the items so referred to in the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 and definitions are shown in appendix 2.
- (2) The numbers of chargeable dwellings have been ascertained, the number of discounts estimated and the amounts of adjustments calculated in accordance with Regulation 5 of the above regulations
- (3) Tax base for 2005/06 = total relevant amount x estimated collection rate  
$$= 70087.43 \times \frac{98.4}{100} = \mathbf{68966 \text{ band D equivalent properties}}$$

The corresponding tax base for 2005/06 was 68,589.4 band D equivalent properties and the main reason for this increase is due to the number of domestic properties in Derby increasing from 101,369 last year to 102,082 this year.