

CABINET

4th January 2022

Tax Base Calculation 2022/23

Cabinet Member: Cllr Andrew Moore Cabinet Member for Finance

Responsible Officer: Andrew Jarrett s151 & Deputy CEO

Reason for Report: This paper details the statutory calculations necessary to determine the Tax Base for the Council Tax. The calculations made follow a formula laid down in Regulations.

RECOMMENDATIONS: To Council

1. That the calculation of the Council's Tax Base for 2022/23 be approved in accordance with The Local Authorities (Calculation of Tax Base) (England) Regulations 2012 at **29,811.41** an increase of circa 1,217 Band D equivalent properties from the previous financial year; The increase is in the main due to a greater percentage collection than forecast in the previous year, and a reduction in forecasted CTR burden.
2. That the current collection rate of 96% be increased to 97.5% detailed in paragraph 2.

Relationship to Corporate Plan:

1. This report sets out how the Tax Base is calculated for 2022/23. This calculation is then used as a basis to set the Council's budget for the forthcoming year.
2. This report is in line with the Council's Corporate Plan objectives.

Financial Implications: Mid Devon District Council is a Statutory Billing Authority and must set its Council tax each year. If it were not to set a Council Tax then the Authority and all Precepting authorities would be unable to raise money to pay for all the services they provide.

Legal Implications: This is a statutory function and is a legal requirement. The Council must now set its budget annually using Council Tax information as at 30th November each year in accordance with The Local Authorities(Calculation of Council Tax Base)(England) Regulations 2012 calculating the relevant amount by applying the formula set out in the above regulations.

Risk Assessment: If the Council fails to carry this duty out then the Council Tax cannot legally be set. In accordance with the LGF Act 2012 above and SI 2914 of 2012 The Local Authorities(Calculation of Council Tax Base)(England) Regulations 2012, The Council Tax Base calculation includes a deduction for the Council Tax Reduction scheme within its Tax Base calculation.

1.0 Introduction

- 1.1 Every year each billing authority is required to calculate and approve its Band 'D' Equivalent Council Tax base. For 2022/23 this technical calculation is as follows:

2.0 **The Collection Rate calculation (A)**

- 2.1 It is necessary to estimate a 'collection rate', which is the proportion of Council Tax due that will actually be paid. It is recommended that a collection rate of 97.5% be estimated for the year 2022/23, which is an increase on previous year's collection rate.
- 2.2 Any variation from the collection rate of 97.5% is pooled in a collection fund, which is distributed in the next financial year to all precepting authorities.

3.0 **Calculation of the relevant amount (B)**

Number of Properties per Valuation Band

- 3.1 The starting point will be the total number of properties within Mid Devon set out in the Valuation List.

Less Exemptions

- 3.2 Properties are exempt from Council Tax under certain circumstances. The calculated tax base uses the information currently held in deciding the level of exempt properties that are likely to apply for 2022/23.

Add Appeals, new properties and deletions from the Valuation List

- 3.3 The Valuation Officer has dealt with the vast majority of Council Tax appeals to date and so no further allowance is believed to be necessary at this time. At the **7th October 2021** we have estimated a net increase in properties within Mid Devon of **50** properties to go live on or before 1st April 2021 and a further **329** properties during the financial year, totalling **(379)**. This estimate is based on the current number of reports outstanding with the Valuation Officer.

Disabled Allowance (move down a Band)

- 3.4 Where a disabled resident has made structural alterations to their property to help with their disability or they use a wheelchair internally at the premises, the property is entitled to a reduction and is afforded by moving the property to the next lowest band. Existing Band A properties are also entitled to a reduction by reducing the 6/9ths charge down to 5/9ths Charge.

Less 25% Discounts

Single Persons Discounts

- 3.5 If only one (adult) person lives in the dwelling as their "sole & main residence" then a discount of 25% is allowed.

Less 50% discount

- 3.6 A discount of 50% is allowed where two or more persons who can be disregarded for Council Tax purposes occupy the property, e.g. care workers.

Second homes now pay full Council tax.

Long Term Empties

3.7 After a three month free period no further discount is allowed.

With effect from the 1st April 2019 100% premium after 2 years

With effect from the 1st April 2020 200% premium after 5 years

With effect from the 1st April 2021 300% premium after 10 years

3.7.1 Currently if a property remains empty of furniture and residents for two years or more, the Council will apply an additional 100% premium to the Council tax charge, so the Charge payer will have to pay 200% of the Council Tax charge in that area. With effect from the 1st April 2020 a premium of 200% can be levied so the Charge payer will have to pay 300% of the Council Tax in that area after a period of five years and with effect from the 1st April 2021 a premium of 300% can be levied so the Charge payer will have to pay 400% of the Council Tax in that area. The Regulations detailing the additional premium are **Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018**.

4.0 **Estimated cost of the Council Tax Reduction Scheme (CTR)**

4.1 Before we convert the properties to Net Band D equivalents we must reduce the total properties by the estimated cost of the Council Tax Reduction Scheme

4.2 The criteria for the CTR scheme is that everyone should pay something (with the exception of those protected by legislation namely pensioners in receipt of guaranteed pension credit).

4.3 All working age claimants are required to pay a contribution towards their Council Tax.

4.4 Support is restricted to 85% i.e. the claimant will be required to pay 15% of their Council Tax.

4.5 Support is limited to Band D charges so claimants in a higher banded property will receive CTR up to 85% of a band D and be required to pay the balance of additional banding in full.

4.6 Savings limited to £6,000.

4.7 Changes were made to the CTRS in April 2017 to align it with Universal Credit.

4.8 For your information Mid Devon's CTR scheme for 2022/23, is estimated to cost in the region of **£4.303m**, based on the scheme criteria.

4.9 CTR has been included within the tax base calculation and applied to each band and parish individually then a band D equivalent calculation has been used to arrive at a final figure.

4.10 The cost of the CTR scheme must be reflected in the Tax Base calculation so the following calculation is carried out for each valuation band to arrive at the net chargeable Dwellings:

Calculation of the Relevant Amount

| | 2021/22 | 2022/23 |
|---|-----------|-----------|
| Number of properties per valuation list | 36,947.00 | 37,291.00 |
| Exemptions | -528.00 | -516.00 |
| Single occupiers and 25% disregards | -2,878.00 | -3,055.00 |
| 50% discount | -25.00 | -27.00 |
| 100% exempt 3 months only | -57.00 | -36.00 |
| Additional LTE at 100% | 0.00 | +58.75 |
| Additional LTE at 200% | +99.00 | +100.00 |
| Additional LTE at 300% | +114.00 | +135.00 |
| Additional net new properties | +206.00 | +379.00 |
| Class D 50% loss | -29.00 | -21.00 |
| Annexes (new) | -29.00 | -32.00 |
| Chargeable dwellings before conversion to Band D equivalent | 33,820.00 | 34,276.75 |

Conversion to Band D equivalents

4.11 The net chargeable dwellings are then converted to Band D equivalents. This is carried out by multiplying the Net chargeable dwellings by the appropriate factor (A=6, B=7, C=8, D=9, E=11, F=13, G=15, H=18) for the band and dividing by that for Band D (9). The Table below details the Net Chargeable Dwellings converted to Band D equivalents.

4.12 The calculation shows the estimated annual cost of the CTR scheme, shown as the number of Band D equivalents. For the 2022/23 year this is estimated as 2,028.81 Band D equivalent properties.

4.13 The Tax Base is finally calculated by applying the collection rate to the total Band D equivalents when summarised below for the 2022/23 financial year.

4.14 An @ band dwelling is a band A property with a disabled banding reduction applied

| Chargeable dwellings | Band equivalent properties | D | CTR properties | Revised properties |
|----------------------|----------------------------|---|----------------|--------------------|
| @ 12.00 | @ 6.68 | | 3.06 | 3.62 |
| A 5,377.50 | A 3,585.00 | | 799.14 | 2,785.86 |
| B 8,289.00 | B 6,447.02 | | 635.99 | 5,811.03 |
| C 6,628.75 | C 5,892.25 | | 316.63 | 5,575.62 |
| D 6,124.50 | D 6,124.50 | | 161.82 | 5,962.68 |
| E 4,538.75 | E 5,547.37 | | 73.94 | 5,473.43 |
| F 2,366.00 | F 3,417.57 | | 29.19 | 3,388.38 |

| | | | |
|------------------|------------------|-----------------|------------------|
| G 888.75 | G 1,481.24 | 8.02 | 1,473.22 |
| H 51.50 | H 103.00 | 1.02 | 101.98 |
| 34,276.75 | 32,604.63 | 2,028.81 | 30,575.82 |

- 4.14 To clarify the table detailing the **Calculation of the Relevant Amount** is based on actual properties and the final calculation above is based on a Band D equivalent of actual properties.
- 4.15 Therefore, based on the above detailed calculations in accordance with SI 2914 of 2012 the Tax Base is to be calculated as: Total relevant amounts (A) **30,575.82** multiplied by the estimated collection rate (B) (97.5%)
- 4.16 Mid Devon District Council's Council Tax Base for 2022/23 will be **29,811.41**.

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Background Papers: CTB1 and supporting documentation

File Reference: FW/G/CTB1

Circulation of Report: Cabinet Member for Finance, Leadership Team