

**COUNCIL
21 JANUARY 2004**

**LOCAL COUNCIL TAX DISCOUNTS
CALCULATION OF COUNCIL TAX BASE – 2004/2005
(Director of Corporate Services - Finance)**

1 INTRODUCTION

- 1.1 Section 35 of the Local Government Finance Act 1992 requires the Council to consider and approve the calculation of the Council Tax Base which has to be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 and subsequent amendments. Most notably, these amendments have been created by the Local Government Act 2003. This Act gives the Secretary of State the power to prescribe classes of dwellings for which the billing authority may either reduce or completely remove the current 50% discount. The Act also provides that a billing authority now have the power to create locally defined discounts

2 RECOMMENDATIONS

- 2.1 **That in accordance with the Local Government Act 2003, and in the circumstances provided for in subsequent regulations,**
- (a) **the council tax discount granted to taxpayers of properties which are nobody's sole or main residence (commonly referred to as "second homes") be reduced from the current 50% to 10%;**
 - (b) **no local variation be made to the current 50% discount for "long-term" empty properties, and**
 - (c) **no locally defined discounts be created.**
- 2.2 **That pursuant to this report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended, the amount calculated by the Bracknell Forest Borough Council as its Council Tax Base for 2004/5 shall be 41,440.**

3 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 3.1 The principal statutory provisions relating to the banding and setting of Council Tax rates have been incorporated in to the main body of this report.

Borough Finance Officer

- 3.2 The tax base is required to calculate the relevant Council Tax per property.

4 SUPPORTING INFORMATION

4.1 Discounts

Standard discounts currently apply in a number of individual circumstances, notably the 25% discount for single adult occupancy and 50% for the taxpayers of properties which are nobody's sole or main residence (commonly referred to as "second homes").

The Local Government Act 2003 allows billing authorities to vary discounts for properties which are nobody's sole or main residence (commonly referred to as "second homes") or "long term" empty properties. Billing authorities may also create locally defined discounts.

4.2 Nobody's Sole or Main Residence ("Second Homes")

Currently, the amount of council tax payable is reduced by a discount of 50% if the liable person maintains a property elsewhere which they regard as their main home, or there is nobody resident in the property.

There are currently 450 such properties in the borough, out of a total of 44,263, (just over 1%) where this 50% discount is applicable. Of those, approximately :

- 160 are properties used during the week, or for the duration of a contract of employment, whilst working away from home
- 120 are owned or rented by a company in which to house their employees who stay there for short periods
- 170 are furnished properties owned by a landlord, during periods whilst there is no tenant in residence.

A "second home" would also include a property, which is used as a holiday home. There are no properties within Bracknell Forest identified as being used in this way.

The Local Government Act 2003 provides that the 50% discount may be reduced, to a minimum of 10%. Regulations determine circumstances when the discount may not be varied. This will apply when accommodation is job-related, for example, when a publican has to live on the licensed premises as a requirement of their contract of employment.

4.3 "Long-term" Empty Homes

When a property is emptied of furniture and effects, the council taxpayer benefits from an exemption for the first six months, after which they are currently entitled to a discount of 50% for as long as the property remains unoccupied and unfurnished.

This occurs as a result of a variety of life events, including :

- being unable to sell a property within six months of moving elsewhere
- or in the case of a landlord, being unable to let an unfurnished property to a new tenant within six months of the last tenant vacating.

In the case of a property, which is uninhabitable or requires some structural alterations, the 50% discount is applicable after a 12 month period of exemption.

There are currently 280 properties across the borough where this 50% is applicable, of which 170 have been empty for more than one year.

The Local Government Act 2003 provides that the 50% discount may be reduced or removed completely.

4.4 Locally Determined Discounts

There are currently 17 different circumstances where residents are not counted for council tax purposes, including certain full time students, the severely mentally impaired, patients in homes and carers. Where there is only one other adult resident in the property, apart from the person who is not counted, a 25% discount will apply.

There are also 23 different reasons for granting complete exemption to taxpayers, including those whose property is empty for less than six months, occupied only by full time students, or requiring major repair work.

The Local Government Act 2003 provides that billing authorities have the power to grant locally defined discounts. Examples provided by the Government where a local discount may be created include as a result of local events such as flooding or natural disasters, or because of an outbreak of the foot and mouth disease.

4.5 Financial Implications of Local Discount Variations

Of the three options detailed above, only reducing the discount on “second homes” will provide additional resources for the Council. Reducing this discount to 10%, would be worth approximately £150,000 to the Council, based on the estimated number of such properties at the 2003/4 tax level. This change would also benefit the Thames Valley Police and the Berkshire Fire Authority as major preceptors. It would have no impact on parish/town councils who are required to calculate their budget requirement without having specific regard to the actual taxbase calculation.

In the context of the Council’s anticipated medium-term financial position, it is recommended that Council approves a reduction in the discount for properties which are nobody’s sole or main residence (“second homes”) and that all other discounts be maintained at current levels.

4.6 Calculation of the Taxbase

The Council is required under paragraph 4 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, to classify all dwellings in the Borough into the appropriate category of Bands A to H, according to their valuation. It must then apply the stated percentages to calculate the “relevant amount”, i.e. the number of Band D equivalent properties for 2004/2005 for each valuation band.

Paragraph 3 of these regulations then require the Council to multiply the “relevant amount” by the assumed collection rate, to ascertain the Council Tax Base for the year. The collection rate makes allowance for both new properties and general losses such as additional discounts and exemptions, as described below.

4.7 New Properties

Information gathered from various sources indicates that the following allowances should be made for new properties occupied during the period from 20 December 2003 to 31 March 2005, equating to full year band "D" equivalents:-

Binfield	3.1
Bracknell	113.1
Crowthorne	13.6
Sandhurst	14.4
Warfield	34.3
Winkfield	<u>5.6</u>
Total	<u>184.1</u>

4.8 General Losses

An allowance of 1.0% has been provided for losses due to additional discounts and exemptions, empty properties (voids), valuation appeals, absconds and bankruptcies. This is a value judgement based on past experience of Council Tax collection together with management information, which shows a gradual increase in the number of properties occupied by a single person and which attract a 25% discount. The anticipated tax yield for the 2004/2005 financial year is therefore 99%. This compares extremely favourably with collection rates both locally and nationally. Comparison with other local authorities through a recent bench-marking exercise has revealed that the average is 98%.

4.9 The Calculated Taxbase

Appended to this paper are the calculations in accordance with the Local Government Finance Act 1992 and Regulations for each parish within Bracknell Forest Borough Council. Lines 1 to 15 show the calculation of the "relevant amounts" with allowances for general losses and new properties being in lines 16 and 17. These calculations give the following Tax Base for 2004/2005 for each parish making a total of 41,440 for Bracknell Forest Borough Council. The Tax Base for the current year, 2003/2004, is shown for comparative purposes.

	Tax Base 2003/2004	Tax Base 2004/2005
Binfield	3,240	3,200
Bracknell	17,340	17,310
Crowthorne	2,380	2,410
Sandhurst	7,820	7,820
Warfield	4,290	4,340
Winkfield	6,330	6,360
	<u>41,400</u>	<u>41,440</u>

Background Papers

Working papers.

Contact for further information

Keith Woodman - Extension 2096
Revenue Services
keith.woodman@bracknell-forest.gov.uk

Stuart McKellar
Accountancy and Budgeting – Extension 2179
Stuart.McKellar@bracknell-forest.gov.uk