

**COUNCIL
1 DECEMBER 2004**

**CALCULATION OF COUNCIL TAX BASE – 2005/06
LOCAL COUNCIL TAX DISCOUNTS – 2005/06
(Director of Corporate Services & Resources - 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 in 2005/06 to taxpayers of properties which are nobody's sole or main residence (commonly referred to as "second homes") shall be maintained at the current level of 10%.**
 - (b) **no local variation be made in 2005/06 to the current 50% discount for "long-term" empty properties, and**
 - (c) **no locally defined discounts are created in 2005/06.**
- 2.2 **That pursuant to the Borough Finance Officer's 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 2005/6 shall be 41,600.**

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 apply in a number of individual circumstances, notably the 25% discount for single adult occupancy.

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")

Until 1 April 2004, the amount of council tax payable was 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 a furnished property. Such properties are commonly referred to as "second homes".

A "second home" would also include a property, which is used as a holiday home, although 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 applies when accommodation is job-related, for example, when a warden is required to live on-site at sheltered accommodation. There are currently 10 such properties in the borough.

Since 1 April 2004, the discount for properties which are nobody's sole or main residence has been reduced to 10%.

There are currently 368 such properties in the borough, out of a total of 44,528, (less than 1%) where this 10% discount is applicable. Circumstances where this applies are :

239 properties either used during the week, or for the duration of a contract of employment, whilst working away from home, or

properties owned or rented by a company in which to house their employees who stay there for short periods, and

129 furnished properties owned by a landlord, during periods whilst there is no tenant in residence.

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 331 properties across the borough where a discount of 50% is applicable in these circumstances.

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. Where all the adults residents are not counted, the discount is 50%.

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%, in 2004/05 raised approximately £142,000 for Bracknell Forest and also benefited 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 tax-base calculation.

In the context of the Council’s anticipated medium-term financial position, it is recommended that the Council maintains the discount for properties which are nobody’s sole or main residence (“second homes”) at the current level of 10%, and that all other discounts be maintained at current levels.

4.6 Calculation of the Tax-base

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 2005/06 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 1 November 2004 to 31 March 2006, equating to full year band "D" equivalents:-

Binfield	18.3
Bracknell	46.9
Crowthorne	8.7
Sandhurst	43.0
Warfield	11.2
Winkfield	<u>13.2</u>
Total	<u>141.3</u>

4.8 General Losses

An allowance of 1.0% (1.2% in the Bracknell Town Council area) 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 2005/06 financial year is therefore just below 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 2005/06 for each parish, making a total of 41,600 for Bracknell Forest Borough Council. The Tax Base for the current year, 2004/05, is shown for comparative purposes.

	Tax Base 2004/05	Tax Base 2005/06
Binfield	3,200	3,210
Bracknell	17,310	17,420
Crowthorne	2,410	2,420
Sandhurst	7,820	7,820
Warfield	4,340	4,340
Winkfield	<u>6,360</u>	<u>6,390</u>
	<u>41,440</u>	<u>41,600</u>

Background Papers
Working papers.

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