



Report to: Council

Date of Meeting: 28 February 2008

Report from: Head of Corporate Finance

Title of Report: 2008/2009 Council Tax Setting

Agenda Item Number: 16

1. CALCULATION OF THE BUDGET REQUIREMENT FOR COUNCIL TAX SETTING

- 1.1 Section 32, as amended, of the Local Government Finance Act 1992 requires a billing authority to calculate its budget requirement for each financial year. The budget requirement represents, in essence, the Council's budgeted net revenue expenditure after allowing for contributions to and drawings from reserves. It is the amount which is to be met from Revenue Support Grant, redistributed Non-Domestic Rates, additional grant and Council Tax income. In the case of billing authorities, the budget requirement must include amounts in respect of precepts levied by Parish Councils.
- 1.2 The following precept requirements for 2008/2009 have been received from Parish Councils for the financial year ending 31 March 2009. These figures represent an increase of 13.8% over requirements in 2007/2008:-

	<u>2007/2008</u>	<u>2008/2009</u>
	£	
Bournmoor	12,000	13,000
Edmondsley	1,500	3,000
Great Lumley	18,500	19,000
Kimbleworth and Plawsworth	11,000	12,500
Little Lumley	6,000	7,500
North Lodge	18,000	18,000
Ouston	9,500	10,000
Pelton	39,000	44,000
Sacrison	31,500	40,000
Urpeth	20,000	23,000
Waldrige	<u>22,000</u>	<u>25,000</u>
	189,000	215,000

- 1.3 Therefore, the District Council's budget requirement for 2008/2009 will be its budgeted net revenue expenditure of £8,246,983 plus the parish precepts of £215,000, i.e. £8,461,983.

2. CALCULATION OF BASIC AMOUNT OF TAX

- 2.1 Section 33 of the Local Government Finance Act 1992 provides that the basic amount of tax for a billing authority shall be calculated by applying the formula:-

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

where:-

R is the amount calculated by the authority as its budget requirement for the year;

P is the aggregate of the sums which the authority estimates will be payable for the year in respect of Revenue Support Grant, redistributed Non Domestic Rates, additional grant or relevant specific grant;

T is the Authority's Council Tax base for the year.

- 2.2 Section 33(3), as amended, of the Act provides that the aggregate of the sums in Item P above shall be either increased or decreased by the Authority's share of any estimated collection fund surplus or deficit.

The following, therefore, needs to be taken into account and Item P adjusted accordingly:-

Collection Fund Surplus

The Council, as the billing and collection authority for Council Tax purposes, collects amounts on behalf of the County Council, the Police and Fire Authorities, and the local Councils. Payments to other bodies is by way of a fixed precept.

Any under or over recovery of Council Tax needs to be adjusted on an annual basis. Adjustments due to a surplus or deficiency are made between the District Council, the Police Authority and the Fire Authority. Local Councils are not involved in this final adjustment.

An estimate is made in mid-January of the Collection Fund position as at the following 31 March. It is estimated that there will be a surplus of £250,000. The proportion due to the District Council is £30,000. This will be returned to the Chester le Street District Council taxpayer by an adjustment to the Band D Council Tax calculation. It cannot be used to fund revenue expenditure. Obviously, without the benefit of this Collection Fund surplus, the tax for 2008/09 would be higher than its recommended level of £181.17.

2.3 The basic amount of Council Tax for 2008/2009 can, therefore, be calculated as follows:-

Budget Requirement (including Parish Precepts)	£8,461,983
<u>Less</u>	
Formula Grant	£5,121,467
Collection Fund Surplus	<u>£30,000</u>
	<hr/>
To be raised by Council Tax	<u>£3,310,516</u>
Tax Base	17,086.65
Basic Amount of Tax	<u>£193.75</u>

3. **SPECIAL ITEMS**

3.1 Section 34 of the Local Government Finance Act 1992 provides that, where there are special items in the budget requirement, further calculations are to be made to produce different basic amounts of tax for different parts of the area to reflect the fact that the cost of a special item is to fall only on that part of the Authority's area to which it relates. Members will appreciate, therefore, as the budget requirement includes parish precepts it will be necessary to make further calculations to produce different basic amounts of tax for the unparished area and each of the parished areas as follows:-

3.1.1 Unparished Area (Chester-le-Street)

$$\begin{aligned}
 &\text{Basic Amount of Tax - } \frac{\text{Parish Precepts}}{\text{Tax Base}} \\
 &= \quad \text{£193.75} \quad - \quad \frac{\text{£215,000}}{17,086.65} \\
 &= \quad \underline{\text{£181.17}}
 \end{aligned}$$

3.1.2 Parished Areas

	<u>Parish Precept</u> £	<u>Tax Base</u>	<u>Additional Basic Tax</u> £	<u>Unparished Basic Tax</u> £	<u>Basic Tax</u> £
Bournmoor	13,000	680.42	19.11	181.17	200.28
Edmondsley	3,000	176.59	16.99	181.17	198.16
Great Lumley	19,000	1,212.73	15.67	181.17	196.84
Kimbleworth & Plawsworth	12,500	502.08	24.90	181.17	206.07
Little Lumley	7,500	521.97	14.37	181.17	195.54
North Lodge	18,000	897.20	20.06	181.17	201.23
Ouston	10,000	910.77	10.98	181.17	192.15
Pelton	44,000	1,828.63	24.06	181.17	205.23
Sacriston	40,000	1,417.50	28.22	181.17	209.39
Urpeth	23,000	1,109.74	20.73	181.17	201.90
Waldrige	25,000	1,473.53	16.97	181.17	198.14

3.2 The above represents, therefore, the basic amounts of tax for the unparished area and each of the parished areas for 2008/2009.

4. **CALCULATION OF TAX FOR EACH VALUATION BAND**

4.1 Section 36 of the Local Government Finance Act 1992 requires that, following the calculation of the basic amount of tax for each part of the Authority's area, the amount of the tax applicable to each valuation band in each part of the Authority has to be calculated. The resultant amounts of tax are shown in Appendix 'A'.

4.2 I would recommend that the amounts of tax for each valuation band within each part of the Authority as detailed in Appendix 'A' be approved.

5. **INCREASE IN COUNCIL TAX**

5.1 The District Council element of the Council Tax for a Band D property, excluding the effect of parished areas, in 2008/2009 has risen from £176.06 to £181.17 which represents an increase of £5.11 or 2.9%. This can be analysed as follows:-

	<u>Increase in Council Tax</u> £
Increased Budget Requirement	8.58
Increased External Support	(4.67)
Decreased Collection Fund Surplus	0.79
Decreased Council Tax Base	0.41
	<hr/> 5.11 <hr/>

5.2 After taking account of the average parish charge, being £12.58 for a Band D property, the combined District and average parish charge for 2008/09 is £193.75, an increase of £6.65, or 3.6%.

6. **RECOMMENDATION**

That Members approve the Formal Resolution as circulated.

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Head of Corporate Finance
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Version 1.0

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