

5 Income from council taxes and non-domestic rates

5.1 This section contains tables relating to the income of local authorities from council taxes and non-domestic rates.

5.2 The council tax system of local government finance was introduced on 1 April 1993 and replaced the community charge (poll tax) system which was introduced on 1 April 1990. Unlike the community charge system, which operated on a flat rate per head basis, there is only one council tax per dwelling. The full council tax bill assumes that there are two adults living in a dwelling. If only one adult lives in a dwelling (as their main home), the council tax bill is reduced by a quarter (25%). The council tax bill for a dwelling which is no-one's main home is reduced by a half (50%). This can apply to empty dwellings and second homes. Certain people are not counted when looking at the number of adults resident in a dwelling, for example students and severely mentally impaired people.

5.3 **Table 5.1** shows trends in average council taxes since 1993/94, measured both in terms of the Band D figure for two adults and the average per dwelling. It also gives figures for increases in the Retail Prices Index.

5.4 **Table 5.2** shows average council taxes set by local authorities in each government office region between 1998/99 and 2001/02. The average council tax per dwelling is lower than the Band D council tax because most dwellings are in Bands A to C and discounts are applied for single persons and second or empty homes. The difference between the two measures is greater in the northern regions of the country, due to lower average property prices. The distribution of Band D council taxes set by authorities for 2001/02 is shown in **Figure 5.1**. The distribution of average council taxes per dwelling for 2001/02 is shown in **Figure 5.2**.

5.5 **Table 5.3** gives a national breakdown of gross council tax income for each year since the council tax was introduced. Further details of council tax benefit and the Council Tax Benefit Subsidy Limitation Scheme are given in **Annex D**.

5.6 The income from non-domestic rates is paid into a central pool and is then redistributed to local authorities on the basis of population. The income comes mainly from two sources: properties on local rating lists (which from 2000/01 included Crown properties) and properties on the central list (national utilities, pipelines etc). The current rating list compiled for 1 April 2000, gives all business properties new rateable values based on their 1 April 1998 rental values.

5.7 The amount of council tax payable on a property depends in part on the valuation band to which it is allocated. There are eight bands in England ranging from Band A for dwellings valued at less than £40,000 on 1 April 1991 to Band H for dwellings valued at more than £320,000 on that date. A summary of the number of dwellings in each band as at 26 March 2001 is given in **Table 5.4**. Within an authority, the council tax for each valuation band is a fixed ratio to that for Band D, for example a Band A dwelling will pay 6/9 the Band D amount, and a B and H dwelling will pay twice the Band D amount. The ratios for all bands to Band D are shown in **Table 5.4**.

5.8 The income from properties on local rating lists is collected by billing authorities and paid by them into the pool. **Tables 5.5** and **5.6** show estimates of the numbers of hereditaments and

the aggregate rateable values of properties concerned, as at 1 April 2001. **Table 5.7** shows the amounts which the authorities provisionally calculated that they would pay into the pool for 2001/02. Income from properties on the central list is paid directly into the pool.

5.9 Central Government is required to compensate the pool for income lost as a result of transitional arrangements in rates bills from the 1990 and 1995 revaluations which limited bill increases, and for the cost of freezing or reducing bills for small businesses. The current transitional scheme following the 2000 revaluation will be revenue-neutral over the five-year life of the scheme, with losses made good by phasing in the decreases in the rate bills of those who will benefit from the revaluation. There will, however, be temporary shortfalls in the early years that will be compensated for by surpluses in later years. Central Government is compensating the pool for these early losses. Small property relief does not apply from 1 April 2000.

5.10 Each year the Government estimates how much will be redistributed from the pool in the forthcoming year, based on the amount likely to be paid into it and the difference in previous years between the amounts payable to the pool and the amounts paid from it. This is known as the 'Distributable Amount'. The amount redistributed to local authorities in 2001/02 is £15,137 million derived from estimated payments into the pool of £15,221 million and a deficit brought forward from 2000/01 of £84 million.

5.11 **Tables 5.8** and **5.9** show the in-year collection rates achieved by billing authorities for council taxes and non-domestic rates in 1999/2000 and 2000/01. **Table 5.10** shows the receipts of arrears of community charges, council taxes and non-domestic rates collected in the financial year 2000/01, and the estimated arrears at 1 April 2001.

Table 5.1: Average Council Taxes and increase in Retail Prices Index: 1993/94 to 2001/02

	Headline council tax (Band D, 2 adults) ^(a) for area	Annual increase	Average council tax per dwelling ^(a)	Annual increase in Retail Prices Index
	£	%	£	%
1993/94	568		456	
1994/95	580	2.1	473	2.6
1995/96	609	5.0	498	3.3
1996/97	646	6.1	525	2.4
1997/98	688	6.5	564	2.4
1998/99	747	8.6	614	4.0
1999/2000	798	6.8	656	1.6
2000/01	847	6.1	697	3.0
2001/02	901	6.4	741	1.8

(a) Amounts shown are headline taxes, before transitional reliefs and benefits.

Table 5.2: Average Council Taxes by Government Office Region and Class: 1998/99 to 2001/02

	Headline Council Tax (Band D, 2 adults) (a) for area				Average Council Tax per dwelling 2001/02 (a)
	1998/99 £	1999/2000 £	2000/01 £	2001/02 £	2001/02 (a) £
North East	841	895	940	987	676
North West	856	901	943	991	732
Yorkshire and the Humber	768	810	852	906	663
East Midlands	776	834	887	939	713
West Midlands	757	812	861	922	718
East of England	709	768	822	878	762
London	687	731	778	841	764
South East	710	764	813	866	809
South West	731	782	836	886	745
England	747	798	847	901	741
Of which:					
Inner London	658	679	708	757	655
Outer London	703	760	818	889	831
Metropolitan areas	833	878	919	968	684
Shire unitary authorities	736	779	825	879	680
Shire districts	738	796	848	903	782

(a) Amounts shown are headline taxes, before transitional relief and benefits.

Figure 5.1:

Distribution of authorities by council tax, Band D, 2 adults 2001/02

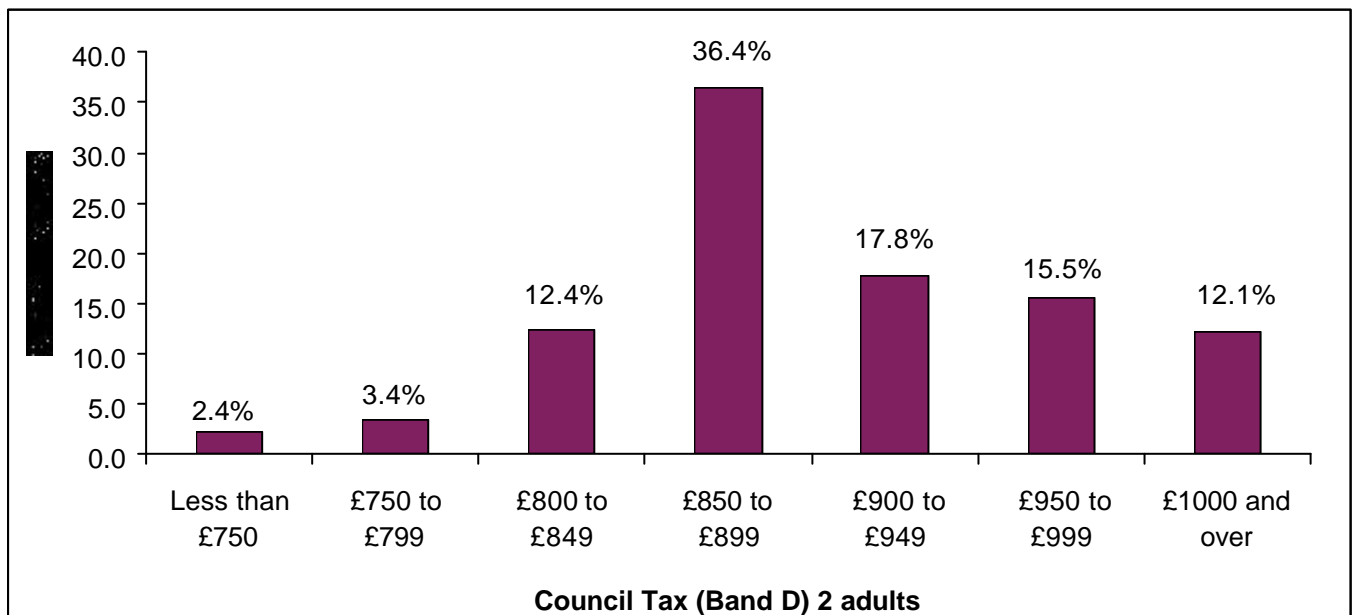


Figure 5.2
Distribution of authorities by average council tax per dwelling 2001/02

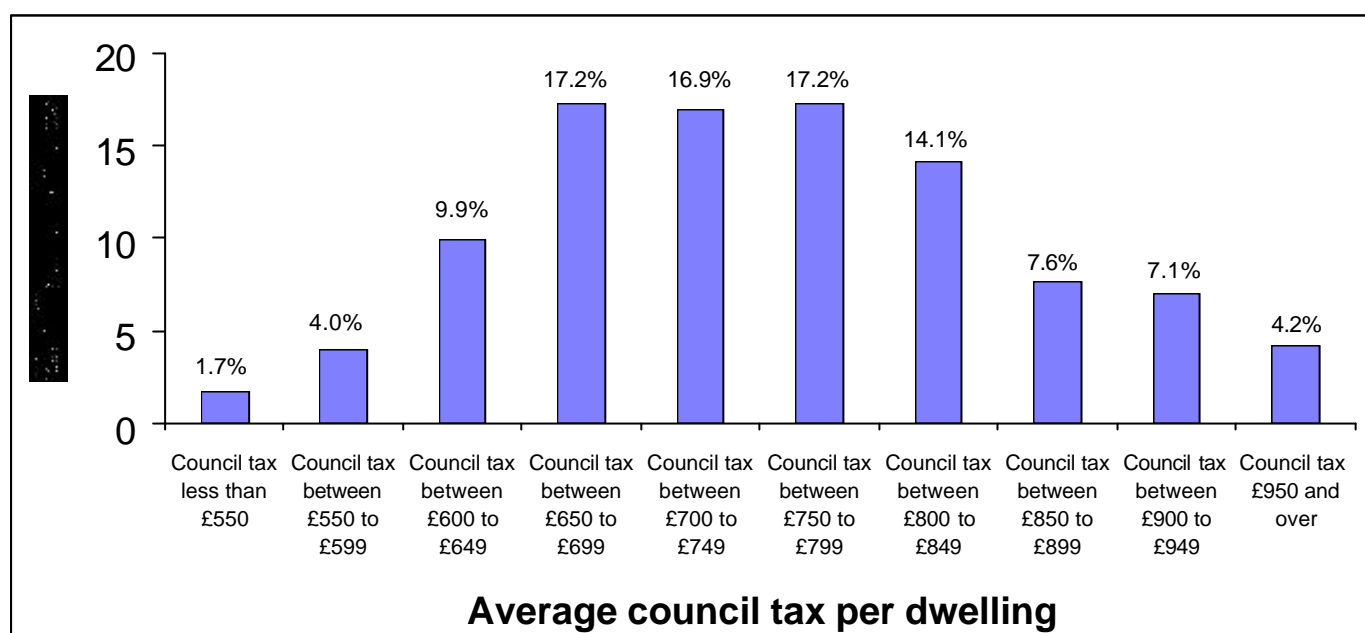


Table 5.3: Council Tax Income: 1993/94 to 2001/02

£ million

	Gross Tax Income ^(a)	Of which Funded by local authorities under the Council Tax Benefit Subsidy Limitation scheme	Council Tax Benefits ^(b)	Council Tax Reorganisation/ Transitional Reduction Scheme ^(c)	Net Tax Income
1993/94	8,912	-	1,583	374	6,995
1994/95	9,239	-	1,688	104	7,447
1995/96	9,777	-	1,788	27	7,962
1996/97	10,460	-	1,884	2	8,574
1997/98	11,241	-	1,961	15	9,265
1998/99	12,332	-	1,937	11	10,384
1999/2000	13,278	31	1,940	-	11,338
2000/01	14,200	54	2,111	-	12,089
2001/02	15,244	83	2,122	-	13,122

- (a) Budgeted yield after capping for 1993/94 to 1998/99. There was no capping from 1999/2000 onwards.
- (b) Until 1998/99, approximately 95% of council tax benefits were funded by central government grant, with the remainder being met by local authorities. From 1999/2000, the share funded by central government grant on the main council tax benefit rate was limited to less than 95% for council tax increases above the guideline under the Council Tax Benefit Subsidy Limitation (CTBSL) scheme.
- (c) Payments under the Council Tax Transitional Reduction Scheme totalled £457,619 in 1999/2000. The scheme has now ended.

Table 5.4: Number of Dwellings on Valuation List at 26 March 2001

Valuation band ranges	Number of dwellings (thousands)								Total
	Band A under £40,000	Band B £40,001 to £52,000	Band C £52,001 to £68,000	Band D £68,001 to £88,000	Band E £88,001 to £120,000	Band F £120,001 to £160,000	Band G £160,001 to £320,000	Band H over £320,000	
Ratio of Council tax to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
North East	671	157	156	79	39	17	10	1	1,130
North West	1,326	560	511	282	163	80	55	5	2,983
Yorkshire and the Humber	1,009	421	349	184	116	56	33	3	2,170
East Midlands	706	404	318	181	105	51	30	3	1,798
West Midlands	734	557	424	235	147	80	49	5	2,231
East of England	338	495	615	399	240	130	89	11	2,316
London	110	423	829	790	475	235	194	52	3,108
South East	296	559	879	677	455	273	221	30	3,388
South West	376	535	505	340	229	115	68	7	2,174
England	5,566	4,111	4,586	3,166	1,968	1,038	750	116	21,299
% in band	26.1	19.3	21.5	14.9	9.2	4.9	3.5	0.5	100.0

Source: Valuation Office Agency of the Inland Revenue

Table 5.5: Number of Non-Domestic Hereditaments on Local Rating Lists at 1 April 2001

Rateable Value	Number of hereditaments (thousand)								Total
	Under £1,000	£1,000 to £5,000	£5,000 to £15,000	£15,000 to £25,000	£25,000 to £50,000	£50,000 to £100,000	£100,000 to £250,000	Over £250,000	
North East	7	31	20	6	5	3	2	1	74
North West	19	91	63	19	15	8	5	2	223
Yorkshire & the Humber	13	72	48	14	11	6	4	2	169
East Midlands	10	53	39	11	9	5	3	1	131
West Midlands	16	65	52	16	13	7	4	2	175
East of England	15	52	51	15	12	6	4	2	158
London	16	83	103	32	30	18	11	6	299
South East	15	77	78	24	20	11	7	3	236
South West	17	74	51	14	11	5	3	1	176
ENGLAND	128	597	505	150	125	69	44	21	1,639
%	8	36	31	9	8	4	3	1	100

Source: Valuation Office Agency of the Inland Revenue

Table 5.6: Rateable Values on Local Rating Lists at 1 April

	£ million						Number of
	Shops	Offices	Warehouses	Factories	Others	Total	Hereditaments (thousands)
North East	368	174	150	201	544	1,437	74
North West	1,046	637	679	688	1,484	4,533	223
Yorkshire & the Humber	729	427	471	537	1,175	3,338	169
East Midlands	548	241	468	547	885	2,690	131
West Midlands	736	493	617	737	1,098	3,682	175
East of England	737	592	555	518	1,098	3,499	158
London	2,142	4,814	972	536	2,695	11,159	299
South East	1,327	1,464	832	667	1,902	6,193	236
South West	719	429	400	389	1,063	2,999	176
ENGLAND	8,352	9,273	5,143	4,819	11,943	39,530	1,639
%	21	23	13	12	30	100	

2001

Source: Valuation Office Agency of the Inland Revenue

Table 5.7: Non-Domestic Rates: Provisional Contribution to Pool by local authorities 2001/02

	£ million							
	Gross Yield (a)		Empty & Partly Occupied Properties	Reliefs (b)		Allowances for		Contribution to the pool (d)
	Before Transitional Arrangements	After Transitional Arrangements		Charitable & non-profit occupiers plus rural shops & Post Offices	Net yield after allowance for appeals (c)	Losses	Costs of Collection	
North East	615	609	42	21	534	4	3	526
North West	2,029	1,969	152	69	1,708	14	11	1,683
Yorkshire & the Humber	1,424	1,405	80	45	1,251	11	8	1,233
East Midlands	1,131	1,128	72	35	997	7	6	984
West Midlands	1,573	1,536	110	48	1,347	11	8	1,328
East of England	1,603	1,599	97	63	1,406	9	8	1,388
London	4,538	4,076	268	172	3,552	57	18	3,470
South East	2,605	2,562	131	96	2,280	16	12	2,252
South West	1,281	1,288	62	50	1,148	8	8	1,132
ENGLAND	16,799	16,173	1,014	599	14,223	137	84	13,997

Source: NNDR1 returns

- (a) Gross yield is based on the gross rateable value on local lists at 31 December 2000 multiplied by the 2001/02 non-domestic rate multiplier (43p).
- (b) Loss of income to the pool due to (i) mandatory 50% rating of certain empty properties and full exemption from empty property ratings, plus mandatory amounts lost to the pool from partly-occupied premises and (ii) 80% mandatory relief for charitable occupiers and 50% mandatory rural relief for certain rural general stores and Post Offices, plus amounts lost to the pool due to additional relief given to charities, non-profit making organisations and certain rural premises at the discretion of the local authority.
- (c) Net rate yield after taking into account prescribed allowances for changes in rateable values during the year.

(d) Contribution figure includes City of London £6.5m offset

Table 5.8: Collection rates: Council Taxes 1999/00 and

	Percentage	
	Receipts of 1999/2000 council taxes by 31 March 2000 as a % of net collectable debit (a)	Receipts of 2000/2001 council taxes by 31 March 2001 as a % of net collectable debit (a)
England	95.6	95.8
Inner London Boroughs (b)	88.7	89.6
Outer London Boroughs	93.7	94.3
London Boroughs	92.1	92.8
Metropolitan Districts	94.8	95.1
Unitary Authorities	95.0	95.0
Shire Districts	97.1	97.2

2000/01

Source: QRC4 returns

- (a) The annual collectable debit is the council tax for the relevant year that authorities would collect if everyone liable paid, i.e. net of discounts, exemptions, disabled relief, transitional relief and council tax benefits.
 (b) Includes City of London.

Table 5.9: Collection rates: Non-Domestic Rates 1999/00

	Percentage	
	Receipts of 1999/2000 non-domestic rates by 31 March 2000 as a % of net collectable debit (a)	Receipts of 2000/2001 non-domestic rates by 31 March 2001 as a % of net collectable debit (a)
England	97.2	97.4
Inner London Boroughs (b)	97.0	96.8
Outer London Boroughs	95.1	96.7
London Boroughs	96.2	96.8
Metropolitan Districts	97.0	97.3
Unitary Authorities	97.1	97.3
Shire Districts	97.9	97.9

and 2000/01

Source: QRC4 returns

- (a) The net collectable debit is the non-domestic rate for the relevant year that authorities would collect if everyone liable paid, ie net of relief or voids
 (b) Includes the City of London.

Table 5.10: Estimated Arrears of Community Charge, Council Tax and Non-Domestic Rates

		£ million
	Debit raised in 2000/2001	Receipts of arrears in 2000/2001 (a)
		Estimated arrears at 1 April 2001
Community Charge	-	13
Council Tax	12,410	342
Non-Domestic Rates	13,607	(236)

Source: QRC4 return and CIPFA in part

(a) Receipts of arrears are net of repayments in respect of prior years. These arise primarily through revisions to liability as a result of successful appeals against the rateable value.