

PROJECTED FORMULA GRANT TAXBASE FIGURES FOR 2008/09, 2009/10 and 2010/11 - TECHNICAL NOTE

Summary

The consultation on the proposed Formula Grant Settlement for 2008/09, 2009/10 and 2010/11 uses projected taxbase figures for October 2008, October 2009 and October 2010 respectively. The figures are based on the valuation list at 17 September 2007, adjusted for student exemptions data taken from the September 2007 CTB form. In line with the 2006/07 and 2007/08 Formula Grant Settlements, taxbase figures relate to the position approximately half-way through 2008/09, 2009/10 and 2010/11.

Methodology

1. The taxbase for a billing authority's area for 2008/09 is the taxbase for a billing authority's area as at 8 October 2007 adjusted for student exemptions, increased by the Secretary of State's estimate of the average annual increase in the taxbase for the authority between:

- i. 10 October 2005, on the basis of information submitted to him in writing in accordance with the notice dated 26 September 2005 issued under section 139A of the 1988 Act and section 68 of the 1992 Act; and
- ii. 8 October 2007, on the basis of information submitted to him in writing in accordance with the notice dated 2 October 2007 issued under section 139A of the 1988 Act and section 68 of the 1992 Act.

2. Expressed algebraically, the taxbase for a billing authority's area for 2008/09 is calculated by applying the formula:

$$T_{08/09} = Y + ((A/D)^{0.5} - 1) \times Y$$

where:

$$Y = A + B - ((B+C)/2)$$

where:

$T_{08/09}$ = Taxbase for a billing authority's area for 2008/09;

A = Taxbase for a billing authority's area at 8 October 2007, as reported on the October 2007 CTB1 form;

B = Taxbase for a billing authority's area at 8 October 2007 for classes M and N, as reported on the October 2007 CTB1 form;

C = Taxbase for a billing authority's area at 31 May 2007 for classes M and N, as reported on the October 2007 CTB1 form;

D = Taxbase for a billing authority's area at 10 October 2005, as reported on the September 2005 CTB1 form; and

^{0.5} Reflects the use of the geometric mean annual increase rather than the arithmetic mean increase.

3. The taxbase for a billing authority's area for 2009/10 is the taxbase for the authority for 2008/09 as calculated above, increased by the Secretary of State's estimate of the average annual increase in the taxbase for the authority between 10 October 2005 and 8 October 2007 as stated above.

4. The taxbase for a billing authority's area for 2010/11 is the taxbase for the authority for 2009/10 as calculated in paragraph 3, increased by the Secretary of State's estimate of the average annual increase in the taxbase for the authority between 10 October 2005 and 8 October 2007 as stated above.

5. Expressed algebraically, the taxbase for a billing authority's area for 2009/10 is calculated by applying the formula:

$$T_{09/10} = T_{08/09} + ((A / D)^{0.5} - 1) \times T_{08/09}$$

where

$T_{09/10}$ = Taxbase for a billing authority's area for 2009/10, and

$T_{08/09}$, A and D are as defined above.

6. Expressed algebraically, the taxbase for a billing authority's area for 2010/11 is calculated by applying the formula:

$$T_{10/11} = T_{09/10} + ((A / D)^{0.5} - 1) \times T_{09/10}$$

where

$T_{10/11}$ = Taxbase for a billing authority's area for 2010/11, and

$T_{09/10}$, A and D are as defined above.

7. An adjustment to the starting position of the taxbase projections has been made. The 2007 CTB form collected student exemptions data (a combined total of class M and class N exemptions) from both 31 May 2007 and 8 October 2007 by council tax band, to allow the number of Band D-equivalent properties to be calculated for each billing authority area. The average of the data at these dates have been used to adjust the starting position of the taxbase projections as shown in paragraph 2. However the percentage increases to be applied to the starting position are calculated using the annual average percentage increase consistent with previous treatment of student exemptions by using student exemptions as at 8 October 2007.

7. Any queries on this note should be addressed to Hema Pandya (0207 944 4157) or David Kelly (0207 944 4163).

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