



General Purposes Committee 7 December 2020

Report from the Director of Finance

Calculation of Council Tax Base 2021/22

Wards Affected:	ALL
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Background Papers:	None
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1.0 Purpose of the Report

- 1.1 This report is presented to enable the Council to fulfil its statutory role to set a council tax base for 2021/22. The Local Government Finance Act (LGFA) 1992, as amended by the LGFA 2003 & LGFA 2012, requires the Authority to formally calculate the Council Tax Base for 2021/22 and pass this information to precepting authorities by 31 January 2021. The tax base must be set between 1 December 2020 and 31 January 2021.

2.0 Recommendation(s)

- 2.1 Agree that the band D equivalent number of properties is calculated, as shown, in accordance with the Government regulations;
- 2.2 Agree that the collection rate for council tax for 2021/22 is set at 97.5%.

- 2.3 Subject to (2.1) and (2.2) above, a Council Tax Base for 2021/22 of 98,450 Band D equivalent properties (after collection rate allowance deduction) be approved.

3.0 Tax Base

- 3.1 The calculation of the tax base is one of the technical stages in the process of setting the council tax, which is scheduled for the Council Meeting on 22 February 2021.
- 3.2 The Local Government Finance Act (LGFA) 1992, as amended by the LGFA 2003 & LGFA 2012, requires the Authority formally to calculate the Council Tax Base for 2021/22 and pass this information to precepting authorities by 31 January 2021. The tax base must be set between 1 December 2020 and 31 January 2021.
- 3.3 Brent, like all Local Authorities, has to work out how much next year's band D council tax should be so that the total tax that will be collected equals the budget required to pay for its services. To work out the band D tax, the budget requirement is divided by a figure called the council tax base, which is calculated in this report. In effect, the tax base represents the aggregate taxable value of all residential property in Brent. As well as Brent, the Greater London Authority also needs the tax base figure to work out how much they need to add on to Brent's council tax to pay for their services. This is formally known as their 'precept'.
- 3.4 The Council's 'number of taxable properties' has been calculated in accordance with relevant procedures and guidance for 2021/22. The calculation of the Tax Base has two parts:
- (a) The number of taxable properties shown as 'band D equivalents' and
 - (b) The expected collection rate for the year.
- 3.5 The calculation method is set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended. For calculating the Tax Base, (and setting the Council Tax) properties in each of the eight valuation bands are given different weightings. These weightings are shown as a proportion of the band D value. These are shown below:

Band	A	B	C	D	E	F	G	H
Weighting	6/9	7/9	8/9	1	11/9	13/9	15/9	2

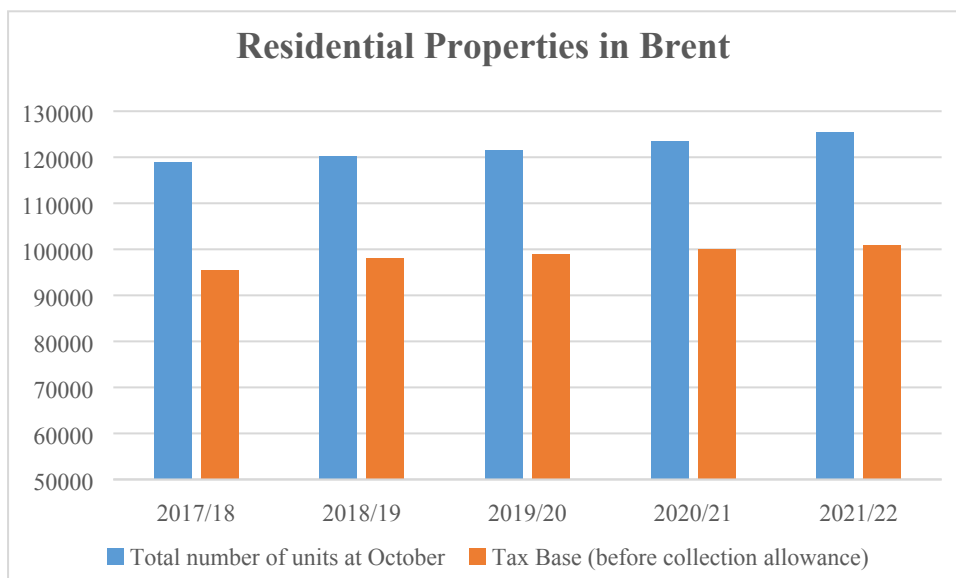
- 3.6 The calculation is primarily based on the Council Tax Base Return submitted to the Ministry of Housing, Communities and Local Government in October 2020, which is used in Government grant calculations. This sets out the factual number of Band D properties, after taking account of the existing level of council tax support and exemptions. An estimate is also made for the change in the tax base expected in 2021/22 arising out of new housing developments in the borough and demolitions.
- 3.7 Very strictly speaking, then, the council tax base for 2021/22 could be expressed as:

- The Band D equivalent properties as at 1 October 2020 after adjustments for council tax support and occupancy; plus
- The estimated net growth in Band D properties between 1 October 2020 and 31 March 2021 (as all of these properties will be liable for council tax in 2021/22); plus
- Half of the estimated net growth in Band D properties during 2021/22 (all of these properties will be liable for council tax in 2021/22 but as they will complete, on average, half-way through the year, only half of their tax raising potential should be taken into account).
- Both estimates will be adjusted to account for occupancy levels and council tax support, in-line with existing properties.

3.8 The starting point of the Band D properties as at 1 October 2020 is known, and is 98,176. Data compiled by the council from a number of sources, including the planning department and directly from developers, shows a number of consented schemes are likely to complete towards the end of 2020/21 followed by a slow-down in 2021/22. This general trend is also supported by new council tax registrations that are currently awaiting banding by the Valuation Office Agency. On this basis it is recommended, as set out in section five, to assume that the council tax base will increase to 100,975 units for 2021/22.

3.9 This will be reviewed during 2021/22 and if, at that time, the new properties have come on stream at a slower rate than expected then it may be prudent to adopt a lower rate of growth for 2022/23 to keep the collection fund in balance.

3.10 The graph below shows the total number of properties in the borough compared to the tax base over the last five years, after reductions for both statutory and local reduction schemes have been applied to households in-line with existing data. The reduction for council tax support accounts for around 14% of the reduction from the total number of properties in the borough.



4.0 Council Tax Collection Rate

4.1 The figure for Band D properties then needs to be adjusted to reflect the fact that 100% collection of council tax is unlikely to be achieved. The council tax

base set by the council takes account of what is eventually expected to be collected, not just by the end of the financial year in question. This is referred to as the lifetime collection rate.

- 4.2 Between 2001/02 and 2012/13 the council's lifetime collection rate was set at 97.5% as an assessment of the amount to be collected for the relevant year. For 2013/14 this was reduced to 96% to take account of the anticipated impact of households formerly receiving council tax benefit who now have to pay at least part of their council tax bill. Since 2017/18 the rate has been set at 97.63% and, based on a historical analysis of collection rates, has been a relatively accurate estimate.
- 4.3 The outbreak of COVID-19 has had an impact on the in year collection rate for 2020/21. Current modelling suggests a reduction in the 2020/21 collection rate of 3% is expected. Clearly this is significant, however collection will continue to be attempted in future years, albeit there is a risk that the long-term rate collection rate will not be met.
- 4.4 As a result of the ongoing impact of COVID-19 on the economy and the postponement of normal debt recovery action, it is too early to be able to estimate the short and long term impact on collection. That being said, it is deemed prudent to reduce the long term collection rate to reflect the reality that there will be an impact on collection and for 2021/22 an overall eventual collection level of 97.50% is considered reasonable.
- 4.5 This does not mean that collection efforts will stop once the budgeted collection levels have been reached, or that eventual losses will necessarily be 2.50%. It is, however, essential that an adequate non-collection allowance be made each year. The Government recognises that no billing authority can collect every pound of Council Tax and that an element of collection will continue after the relevant year. The legislation provides for an allowance for non-collection to be incorporated into the calculation of the tax base.
- 4.6 If an over-optimistic assumption of the achievable collection rate is made, at some later stage a deficit in the Collection Fund will have to be declared, resulting in the need to increase the level of Council Tax in subsequent years to recover the deficit. Alternatively if the assumed collection rate is exceeded, a surplus could be declared later on. For 2021/22 it is considered reasonable to assume an overall eventual collection level of 97.50%, as outlined above.

5.0 Setting the Council Tax Base

- 5.1 Taking into account all of the considerations above, the calculation of the tax base for 2021/22, after allowing for an estimated reduced collection rate, is proposed as follows:

Estimated Tax Base (Band D equivalent) (A) = 100,975

Multiplied by:

The estimated lifetime rate of collection (B) = 97.50%

Band D Tax Base after collection allowance (A x B) = **98,450**

6.0 Financial Implications

- 6.1 The proposed council tax base for 2021/22 is 98,450 and will form part of the overall calculation of the Council's budget that will be presented to Cabinet in February 2021.
- 6.2 There is a risk that should the actual tax base (for budget setting purposes) be less than the actual prevailing tax base in the borough (likewise for the assumed vs the actual collection rate), a deficit on the collection fund will have to be declared resulting in the need to increase the level of Council Tax in subsequent years. Alternatively if the assumed collection rate is exceeded, a surplus could be declared.

7.0 Legal Implications

- 7.1 The Council Tax Base is the equivalent number of Band D dwellings (after taking account of discounts and exemptions) which would raise the same amount of tax as the actual number of liable dwellings in the borough, with their actual spread of bands. The Band D equivalent total is then multiplied by the estimated collection rate for the year, to give the Council Tax Base figure. In the Council Tax calculation process to be undertaken at Full Council on 22 February 2021 this figure will be used to calculate the amount of tax to be levied for a Band D dwelling. The Council Tax level for each valuation band is then calculated by a fixed ratio which each band bears to the Band D figure. The Council's Constitution currently requires that the calculation of the Council Tax Base be carried out by the General Purposes Committee.
- 7.2 Section 11A of the 1992 Local Government Act enables the Secretary of State to designate by regulations: (i) Categories of properties in respect of which the discount available in respect of empty properties may be reduced to a percentage of at least 10% (section 11A(3)); and (ii) Categories of properties in respect of which the discount may be reduced to any percentage or eliminated entirely (section 11A(4)). In the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 the Secretary of State has designated furnished dwellings which are not the sole or main residence of an individual for the purposes of section 11A(3) (except caravan pitches and boat moorings) and unfurnished unoccupied properties for the purposes of section 11A(4). Sections 11 and 12 of the Local Government Finance Act 2012 give billing authorities the discretion to vary the discounts applicable to specific classes of empty properties, second homes and long term empty properties from 1 April 2013.

8.0 Equality Implications

- 8.1 None arising directly from this report

9.0 Consultation with Ward Members and Stakeholders

- 9.1 Not applicable for this report.

10.0 Human Resources/Property Implications (if appropriate)

- 10.1 None arising directly from this report

Report sign off:

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