



General Purposes Committee
6 December 2021

Report from the Director of Finance

Calculation of Council Tax Base 2022/23

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk Rav Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk

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 2022/23. 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 2022/23 and pass this information to precepting authorities by 31 January 2022. The tax base must be set between 1 December 2021 and 31 January 2022.

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 2022/23 is set at 97%; and
- 2.3 Subject to (2.1) and (2.2) above, a Council Tax Base for 2022/23 of 98,730 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 Full Council Meeting on 24 February 2022.
- 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 2022/23 and pass this information to precepting authorities by 31 January 2022. The tax base must be set between 1 December 2021 and 31 January 2022.
- 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 2022/23. 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 Levelling Up, Housing and Communities in October 2021, 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 2022/23 arising out of new housing developments in the borough and demolitions.

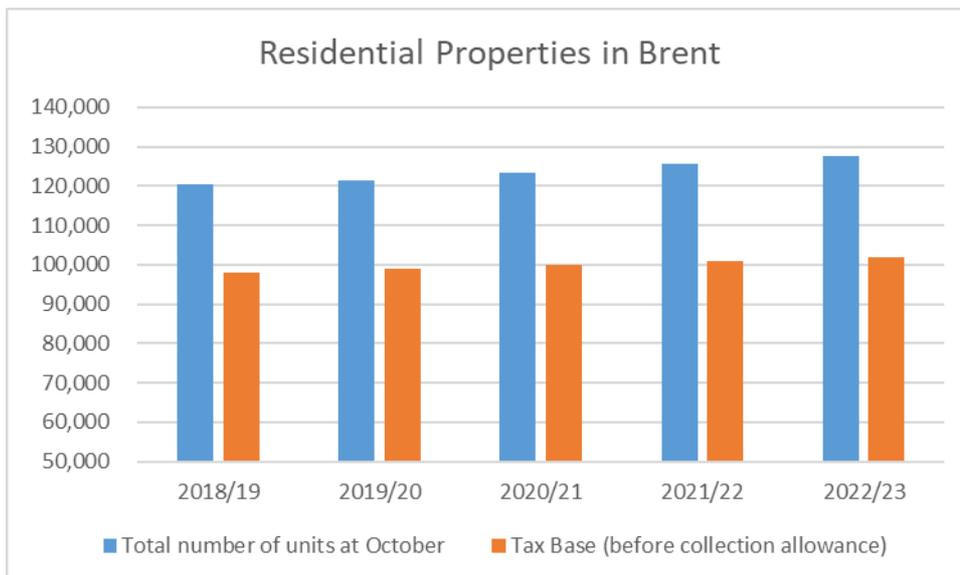
3.7 The council tax base for 2022/23 could be expressed as:

- The Band D equivalent properties as at 1 October 2021 after adjustments for council tax support and occupancy; plus
- The estimated net growth in Band D properties between 1 October 2021 and 31 March 2022 (as all of these properties will be liable for council tax in 2022/23); plus
- Half of the estimated net growth in Band D properties during 2022/23 (all of these properties will be liable for council tax in 2022/23 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 2021 is known, and is 99,861. This is circa 2% higher than the equivalent figure as at 1 October 2020, which would suggest that the rate of housebuilding growth in the borough has remained consistent with the average growth recorded last year. Data compiled by the Council from a number of sources, and included in the Borough Plan, shows the number of consented schemes that are likely to complete for the future year is consistent. 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 101,784 units for 2022/23.

3.9 This will be reviewed during 2022/23 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 2023/24 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 15% 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. Over the years the collection rate has been adjusted to take into account economic factors that have affected actual collection in-year and the longer term effect on collection for the remaining debt outstanding. For 2021/22 the rate was lowered from 97.63% to 97.5% to account for the impact of COVID-19 on household's ability to pay and the postponement of normal debt recovery actions. For 2020/21 the actual in-year collection rate dropped by 3.9% on the previous year and it is estimated that for 2021/22 collection rates will continue to be lower than pre-pandemic rates.

4.3 As a result of the ongoing impact of COVID-19 on the economy and the limited level of normal debt recovery action, it is too early to be able to estimate the short and long term impact on collection rates. That being said, it is deemed prudent to further reduce the long term collection rate to reflect the reality that there will be a continued impact on collection and for 2022/23 an overall eventual collection level of 97.0% is considered reasonable.

4.4 This does not mean that collection efforts will stop once the budgeted collection levels have been reached, or that eventual losses will necessarily be 3.0%. 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.

- 4.5 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 2022/23 it is considered realistic to assume an overall eventual collection level of 97.0%, 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 2022/23, after allowing for an estimated reduced collection rate, is proposed as follows:

Estimated Tax Base (Band D equivalent) (A) = 101,784

Multiplied by:

The estimated lifetime rate of collection (B) = 97.0%

Band D Tax Base after collection allowance (A x B) = **98,730**

6.0 Financial Implications

- 6.1 The proposed council tax base for 2022/23 is 98,730 and will form part of the overall calculation of the Council's budget that will be presented to Full Council in February 2022.
- 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 24 February 2022 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.

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:

Minesh Patel
Director of Finance