

	<p align="center">General Purposes Committee 11 December 2023</p>
	<p align="center">Report from the Corporate Director of Finance and Resources</p>
	<p align="center">Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform</p>
<p>Calculation of Council Tax Base 2024/25</p>	

Wards Affected:	All
Key or Non-Key Decision:	Key
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
Contact Officer(s): (Name, Title, Contact Details)	<p>Minesh Patel, Corporate Director Finance and Resources S151 020 8937 4043 Minesh.Patel@brent.gov.uk</p> <p>Rav Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk</p>

1.0 Executive Summary

- 1.1 This report is presented to enable the Council to fulfil its statutory role to set a council tax base for 2024/25. 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 2024/25 and pass this information to precepting authorities by 31 January 2023. The tax base must be set between 1 December 2023 and 31 January 2024.

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 2024/25 is set at 97.5%; and
- 2.3 Subject to (2.1) and (2.2) above, a council tax Base for 2024/25 of 103,577 Band D equivalent properties (after collection rate allowance deduction) be approved.

3.0 Contribution to Borough Plan Priorities & Strategic Context

- 3.1 Council tax is one of the main sources of funding for the Council's revenue budget and setting an appropriate level of council tax enables the delivery of the priorities and objectives within the Borough Plan. The Council has a statutory role to formally calculate the council tax base for each financial year. This report enables the Council to fulfil that statutory role, which will lead into the formal setting of the council tax and revenue budget for 2024/25 in line with the Borough Plan priorities at Full Council on 29 February 2024.

4.0 Tax Base

- 4.1 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 29 February 2024.
- 4.2 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 2024/25 and pass this information to precepting authorities by 31 January 2024. The tax base must be set between 1 December 2023 and 31 January 2024.
- 4.3 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'.
- 4.4 The Council's 'number of taxable properties' has been calculated in accordance with relevant procedures and guidance for 2024/25. 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.

4.5 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

4.6 The calculation is primarily based on the Council Tax Base Return submitted to the Department for Levelling Up, Housing and Communities in October 2023, 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 2024/25 arising out of new housing developments in the borough and demolitions.

4.7 The council tax base for 2024/25 could be expressed as:

- The Band D equivalent properties as at 2 October 2023 after adjustments for council tax support and occupancy; plus
- The estimated net growth in Band D properties between 2 October 2023 and 31 March 2024 (as all of these properties will be liable for council tax in 2023/24); plus
- Half of the estimated net growth in Band D properties during 2024/25 (all of these properties will be liable for council tax in 2024/25 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.

4.8 The starting point of the Band D properties as at 2 October 2023 is known, and is 104,910. This is circa 2% higher than the equivalent figure as at 3 October 2022. A circa 2% average growth rate is consistent with the targets for housebuilding set out in the Brent Local Plan 2019-2041 (adopted February 2022).

4.9 The assumption in the Medium Term Financial Strategy for 2023/24 was that there would be 104,317 Band D equivalent properties. Given that growth has been consistent in recent years, excluding the effects of the Covid-19 pandemic, the 2 October 2023 figure can be considered to be the average tax base for 2023/24. This means that the actual tax base for 2023/24 is 593 properties higher than was forecast in December 2022 and the assumptions used for the 2023/24 tax base were robust and prudent.

4.10 The assumption in the Medium Term Financial Strategy for 2024/25 is for 1.8% growth based on the long term trend and the Local Plan targets. At this time, further analysis of the projected housebuilding within Brent is required to determine a more accurate forecast for the tax base in future years and this

work is currently ongoing. Once this work has been completed, an update will be provided to Cabinet in the July update of the Medium Term Financial Strategy. This will form the basis of the draft budget to be presented to Cabinet in November 2024 and the calculation of the council tax base for 2025/26 to be presented to General Purposes Committee in December 2024.

- 4.11 On this basis, it is recommended, as set out in section six, to assume that the council tax base will increase in line with the current Medium Term Financial Strategy assumptions by 1.8% from 104,317 to 106,233 for 2024/25. As in previous years, this is always based on estimates and is a prudent and reasonable approach to calculating the council tax base growth.

5.0 Council Tax Collection Rate

- 5.1 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.

- 5.2 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. As a result of the ongoing impact of Covid-19 on the economy, it was deemed prudent to further reduce the long term collection rate in 2022/23 to 97.0%. In 2023/24, this was held at 97.0% due to the expected impact of the cost-of-living crisis on the ability of households to pay council tax.

- 5.3 Table 1 shows collection at 31 March 2023 for each of the last ten financial years. This shows that the higher long term target collection of 97.5% was being met before the Covid-19 pandemic, but only after eight years, which is slightly longer than the target of six years.

Table 1: Prior-year collection rates

	Collection Rate	Target Collection Rate	Difference
2013/14	99.00%	97.60%	1.40%
2014/15	98.65%	97.60%	1.05%
2015/16	98.11%	97.60%	0.51%
2016/17	97.17%	97.60%	-0.43%
2017/18	96.92%	97.60%	-0.68%
2018/19	96.86%	97.60%	-0.74%
2019/20	96.57%	97.60%	-1.03%
2020/21	95.59%	97.50%	-1.91%
2021/22	94.22%	97.50%	-3.28%
2022/23	93.43%	97.00%	-3.57%

- 5.4 The Medium Term Financial Strategy assumption for 2024/25 is for the long term collection target to increase back to 97.5% on the basis that the recovery from the Covid-19 pandemic and the return to normal debt recovery action will enable long term collection to increase back to pre-pandemic levels. With the cost-of-living crisis ongoing, this represents a risk, but it is considered reasonable to increase the target. This will be kept under review and an update will be provided to Cabinet in the July 2024 update of the Medium Term Financial Strategy.
- 5.5 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. As part of the budget setting process, any surplus or deficit on the collection fund will be reflected in the following years budget.
- 5.6 This does not mean that collection efforts will stop once the budgeted collection levels have been reached, or that eventual losses will necessarily be 2.5%. 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.

6.0 Setting the Council Tax Base

6.1 Taking into account all of the considerations above, the calculation of the tax base for 2024/25, after allowing for an estimated reduced collection rate, is proposed as follows:

Estimated Tax Base (Band D equivalent) (A) = 106,233

Multiplied by:

The estimated lifetime rate of collection (B) = 97.5%

Band D Tax Base after collection allowance (A x B) = **103,577**

7.0 Financial Considerations

7.1 The proposed council tax base for 2024/25 is 103,577 and will form part of the overall calculation of the Council's budget that will be presented to Full Council in February 2024.

8.0 Legal Considerations

8.1 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 29 February 2024 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.

9.0 Equality, Diversity & Inclusion (EDI) Considerations

9.1 N/A

10.0 Stakeholder and ward member consultation and engagement

10.1 N/A

11.0 Climate Change and Environmental Considerations

11.1 N/A

12.0 Human Resources/Property Considerations

12.1 N/A

13.0 Communication Considerations

13.1 N/A

Report sign off:

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