

CABINET

DATE	09/12/2020
REPORT OF	Councillor Stan Shreeve, Portfolio Holder for Finance and Resources
RESPONSIBLE OFFICER	Sharon Wroot, Director of Resources and Governance
SUBJECT	Calculation of the Council Tax Base for 2021/22
STATUS	Open
FORWARD PLAN REF NO.	CB 12/20/01

CONTRIBUTION TO OUR AIMS

The Council has a statutory duty to set its Council Tax base on an annual basis. The revenue raised from Council Tax is used to finance the Council's priorities and aims.

EXECUTIVE SUMMARY

North East Lincolnshire Council has the power in statute to raise a tax on households in its area to pay for the provision of local services. It is designated as the billing authority for the area. This means that it is responsible for levying a Council Tax to meet its own demands and to meet the precepts of lower and higher tier authorities in the area.

This report also outlines the proposed Council Tax Support Scheme (CTSS) for the forthcoming year. The setting of the CTSS plays a key role in calculating the tax base in calculating the likely scheme spend and the impact on the wider financial planning process.

RECOMMENDATIONS

It is recommended that Council:

- 1) Supports the proposed Council Tax Support Scheme for 2021/2022 which maintains the discount of 65% for all working age customers and refers the proposals to Full Council for approval.
- 2) Recommends to Council to approve the discretionary adjustments for properties empty for more than ten years.
- 3) Subject to the recommendations above, Cabinet agrees that the Council Tax Base for the Council and other precepting bodies in 2021/22 be set at 44405.4 Band D equivalents (as detailed in Appendix A).

REASONS FOR DECISION

Setting the Council Tax Base is a statutory requirement that forms the basis of

the calculation of the Council Tax charge for 2021/22. The tax base needs to be agreed and notified to major precepting bodies by no later than the end of January 2021.

1. BACKGROUND AND ISSUES

- 1.1.** North East Lincolnshire Council has the power in statute to raise a tax on households in its area to pay for the provision of local services. It is designated as the billing authority for the area. This means that it is responsible for levying a Council Tax to meet its own demands and to meet the precepts of lower and higher tier authorities in the area. The precepting bodies are:
 - Humberside Police and Crime Commissioner
 - Humberside Fire Authority
 - Parish and Town Councils in North East Lincolnshire

- 1.2.** It also provides details of its tax base to levying bodies to which it must pay a contribution for the cost of services provided in the area. That includes the Environment Agency and the Port Health Authority.

- 1.3.** Section 33 of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Tax Base) Regulations 2012 requires the Council to determine its tax base for Council Tax purposes each year. This is the basis on which the Council Tax is raised. The Council keeps a database of the properties in its area. Properties are recorded in 8 national bands by value (A to H) as determined by the independent Valuation Office Agency. Band H taxpayers pay twice as much as those in band D and three times as much as those in band A. The number of properties is expressed as a number of Band D equivalent properties for the purposes of calculating what £1 on the Council Tax would raise.

- 1.4.** All precepting bodies have a right to receive the tax base figure for the area or their part of the area no earlier than 1 December and no later than 31 January in advance of the relevant tax year. It is this tax base that they will use to calculate a precept to fund their services, which they will direct the Council to collect on their behalf. The tax base is subject to change as new properties are built or converted and old properties demolished, so the tax base needs to be recalculated each year. Government also requires information on the Council Tax base to determine the Council's share of national grant funding.

- 1.5.** North East Lincolnshire Council will use the tax base to calculate a combined Council Tax requirement for 2021/22 for itself, Humberside Police & Crime Commissioner, Humberside Fire Authority and Parish and Town Councils. The Council Tax collected is pooled in a collection fund and then distributed to North

East Lincolnshire Council and the precepting bodies, on the basis of their tax decisions.

- 1.6. The calculation of the tax base is informed by the number of Band D equivalent properties and is adjusted by anticipated collection rates and the cost of applicable discounts made to relevant households. This includes a number of nationally determined discounts and the local Council Tax Support Scheme (CTSS), which was introduced in 2013/14. The current CTSS requires working age households to pay a proportion of their Council Tax bill.

Long Term Empty Properties

- 1.7. In order to address public concern about the environmental impact of properties remaining empty, over the past two years, the Council has increased the incentive for property owners to bring long-term empty properties back into use, through levying a 100% surcharge on properties empty for longer than two years and a 200% surcharge on properties empty for longer than five years.
- 1.8. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 enables the Council to sharpen the incentive further. From April 2021, a property empty over ten years could be charged a 300% surcharge. The Government has phased implementation of the changes to allow owners of empty properties the time to consider addressing the reasons why the property is empty and take action, as necessary.
- 1.9. The changes made over the past two years reflects the Council's desire to have flourishing communities, where vibrant neighbourhoods are full of residents collectively contributing to making North East Lincolnshire the best place. Having long-term empty properties stifles success in this aim. Accordingly, it is proposed that the Council take the option to implement a 300% surcharge on properties empty over ten years. As with the change made last year, the success of the policy would be reviewed in twelve months' time to get a better understanding of how successful the change has been.
- 1.10. However, the Council's aim is for all long-term empty properties to become sustainably occupied, and for no surcharge to be levied. Therefore, additional work is ongoing across the authority and partners to bring these properties back into use.

Council Tax Support Scheme 2021/22

- 1.11 The current cost of the Council Tax support discount is £12.8m of which 45.4% or £5.8m is mandatory and relates to pensioners. The current discretionary element of the scheme relates to the working age population entitled to CTS including those who are disabled, this relates to 54.6% of the caseload and currently costs £6.99m taking into account the ongoing Covid19

pandemic has increased the volume of applications to the scheme. The effect of the discount is a reduction to the Council Tax base and therefore the amount of Council Tax the area can raise for a given level of Council Tax. The cost of the scheme falls upon the Council and its major precepting bodies (the Police and Crime Commissioner and the Fire Authority).

- 1.12** Following a consultation process in 2019, a change was implemented in April 2020 with working age households moving to a maximum 65% contribution towards their Council Tax liability. An option to move to a 50% minimum contribution from April 2021 was maintained. However, it is proposed that this further change to contribution levels is deferred given the economic challenges faced at the current time.

2. RISKS AND OPPORTUNITIES

- 2.1** To determine the Tax Base for Council Tax purposes for the Council and those which precept on it, the CTB1 tax base is adjusted to take account of projected changes in the valuation list and likely levels of discounts and exemptions for 2021/22. Known and projected growth in the number of properties is also factored in.
- 2.2** The size of the tax base takes account of all the discounts and exemptions available, both mandatory and discretionary, based upon estimated take up. There is a range of national discounts and exemptions available including certain types of unoccupied property; certain types of occupant such as students; and a discount for properties with only one occupant.
- 2.3** Whilst the Council has no scope to amend national discounts and exemptions, financial stewardship and achieving fairness to all taxpayers requires it to ensure those claiming discounts are fully eligible. The single person discount represents the single biggest cost. There are currently 27,283 properties claiming single person discount, which reduces their Council Tax charge by 25%. The Council, via the Fraud Team, has the ability to utilise tools to identify instances where it appears multiple adults are living at a property (e.g. credit applications by a different adult at the property). The overarching aim is to ensure households are paying their fair share towards the much-valued services provided and enabled by the Council.
- 2.4** Failure to set the Council Tax base would result in the Council being unable to meet the statutory requirement to notify precepting authorities of the Council Tax base by 31 January 2021. It may also delay the calculation of the Council Tax charge and the billing and collection processes for 2021/22.

3. OTHER OPTIONS CONSIDERED

- 3.1 There is discretion in estimating the Council Tax collection rate. For 2021/22 it is considered prudent to assume a reduction in the level of collection by 1% to 97.2% given the ongoing economic challenges brought about as a result of the Covid-19 pandemic.
- 3.2 Whilst the majority of collection happens within the billing year collection does continue after this point in time, the 97.2% relates to the level of overall Council Tax collected over an extended period in time.
- 3.3 The Council could decide not to apply the additional surcharges introduced by the Government in 2019/20 in relation to empty properties. However, this would not support the Council's aim for long-term empty properties to become sustainably occupied.
- 3.4 In relation to CTSS, any material to changes to the scheme require a consultation process to be undertaken and the approval of full Council.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1 Setting of the tax base is a legislative requirement to which the Council has to adhere. Communications will be with Fire, Police and precepting authorities within set timescales.
- 4.2 Removal of the planned changes to the level of support provided under the CTSS along with any additional billing for those properties which are classified as long-term empty will be communicated to affected households prior to implementation in April 2021. Support options will also be communicated prior to implementation to assist those households who may be adversely affected.

5. FINANCIAL CONSIDERATIONS

- 5.1 The Council must calculate the tax base each year in accordance with The Local Government Finance Act 1992 and The Local Authorities (Calculation of Tax Base) Regulations 2012.
- 5.2 Judgement has been applied in estimating the Council Tax collection rate. For 2021/22 it is considered prudent to assume a 97.2% collection rate, based on current collection rates and future trends in line with the Council's policy

framework and application of discounts. This position is reviewed on an ongoing basis in light of ongoing challenges brought about by Covid-19.

- 5.3 The increase in the tax base to 44405.4 from the 2020/21 position of 44327.3 equates to an additional 78.1 Band D equivalent properties. This delivers an extra £151k at the current North East Lincolnshire Council average band D level of tax. This is built into the Council's medium-term financial plan.
- 5.4 The actual amount collected in any year may differ from the estimate so that a surplus or deficit can arise on the Collection Fund. This surplus or deficit is shared between the Council and the major precepting authorities and is applied in the following year as required by legislation.
- 5.5 If collection rates fall below that assumed, there is a risk that a deficit may arise on the fund, which would need to be made up in a subsequent year.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 6.1 All financial decisions taken by the Council impact upon the environment. For this reason, the Council must take climate change and environmental issues into account in the establishment of its financial plans.

7. CONSULTATION WITH SCRUTINY

- 7.1 As the tax base report is approved by Full Council, there is no requirement for consultation with scrutiny.

8. FINANCIAL IMPLICATIONS

- 8.1 Income from Council Tax provides around half the Council's net funding. Decisions in relation to the Council Tax base impact upon the total funding available to the Council.
- 8.2 Failure to agree the Council Tax base would mean the Council is unable to set a legal budget.

9. LEGAL IMPLICATIONS

- 9.1 In accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 the Council Tax base for the authority must be agreed and notified to major precepting bodies before the 31 January 2021.

10. HUMAN RESOURCES IMPLICATIONS

10.1 There are no direct human resource implications arising from the report.

11. WARD IMPLICATIONS

11.1 Information relates to all wards

12. BACKGROUND PAPERS

12.1 Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/1992/14/contents>

12.2 Local Authorities (Calculation of Council Tax Base) regulations 2012

<http://www.legislation.gov.uk/uksi/2012/2914/contents/made>

13. CONTACT OFFICER(S)

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COUNCILLOR STAN SHREEVE

PORTFOLIO HOLDER FOR FINANCE AND RESOURCES

Town/Parish	Gross Band D Equivalent		Net Band D Equivalent		Assumed Collection rate
	2021/2022	Loss on Collection	Assuming 97.2% Collection 2021/2022 and Council Tax Reduction Scheme Changes applicable to spreadsheet	2020/2021	
Ashby cum Fenby	123.7	3.5	120.2	122.3	97.2
Aylesby	64.5	1.8	62.7	63.4	
Barnoldby le Beck	167.2	4.7	162.5	167.9	
Beelsby	53.6	1.5	52.1	51.6	
Bradley	80.8	2.3	78.5	78.8	
Brigsley	174.7	4.9	169.8	170.0	
East Ravendale	38.5	1.1	37.5	35.7	
Great Coates	491.9	13.8	478.1	478.7	
Habrough	207.5	5.8	201.6	201.3	
Hatcliffe	50.9	1.4	49.5	48.2	
Hawerby cum Beesby	11.0	0.3	10.7	10.8	
Healing	1140.9	31.9	1109.0	1089.0	
Humberston	2439.0	68.3	2370.7	2283.5	
Immingham	2563.6	71.8	2491.8	2514.5	
Irby upon Humber	59.7	1.7	58.0	56.7	
Laceby	1113.8	31.2	1082.7	1079.9	
New Waltham	1906.5	53.4	1853.2	1835.2	
Stallingborough	440.3	12.3	428.0	430.4	
Waltham	2215.0	62.0	2153.0	2158.2	
West Ravendale	7.5	0.2	7.3	7.1	
Wold Newton	29.1	0.8	28.3	31.3	
Cleethorpes	9654.7	270.3	9384.4	9404.1	
Grimsby	22650.2	634.2	22016.0	22008.8	
TOTAL	45684.6	1279.2	44405.4	44327.3	

change to M24 NOT M23

Use figures from Column d and save in
column E (from 2020-2021
spreadsheet)Black as changed!!