



## CABINET

Tuesday, 5 January 2021

### COUNCIL TAX BASE 2021/22

#### EXECUTIVE SUMMARY

1. East Suffolk Council is required to approve its council tax base before 31 January 2021 so that the information can be provided to Suffolk County Council and Suffolk Police and Crime Commissioner for their budget processes. It also enables each Town and Parish Council to set their respective precepts.
2. The tax base for the area is the estimated number of chargeable dwellings expressed as a number of band D equivalents, adjusted for an estimated number of discounts, exemptions and appeals plus an allowance for non-collection.
3. The tax base for the current year amounts to 87,888.87 Band D equivalents. The estimated tax base for 2021/22 that this report seeks approval for amounts to 87,339.43 Band D equivalents, a reduction of 549.44, or around 0.63%. In normal circumstances, the tax base would be expected to increase by around 1% per year. The Covid-19 pandemic and its economic impacts have resulted in more cautious estimates being made than normal regarding the value of Local Council Tax Reduction Scheme (LCTRS) reliefs and the allowance for non-collection.
4. A reduction in the council tax base has financial implications for precepting authorities as their income from a given level of Band D council tax is reduced. The financial implications of the reduction are outlined in the report. As far as town and parish councils are concerned, the fact that growth in the number of properties and LCTRS reliefs are not evenly spread across the district means that some parishes have seen increases in their tax base, whilst others have seen decreases greater than the overall reduction of 0.63%.
5. In the one-year Spending Review announced on 25 November 2020, £670m additional grant funding was announced to provide support in recognition of the increased costs of providing local council tax support. Further details were announced in the Provisional Local Government Finance Settlement of this Local Council Tax Support Grant to authorities in respect of the impact on council tax bases arising from increased LCTRS reliefs. Section 3 of this report provides more details and outlines a proposed scheme to provide an element of this funding to assist town and parish councils in respect of their precept and council tax requirements

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All wards in East Suffolk
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<b>Cabinet Member:</b>	Councillor Maurice Cook Cabinet Member with responsibility for Resources
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<b>Supporting Officer:</b>	Brian Mew Chief Finance Officer and Section 151 Officer 01394 444571 <a href="mailto:Brian.Mew@eastssuffolk.gov.uk">Brian.Mew@eastssuffolk.gov.uk</a>
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## **1 INTRODUCTION**

- 1.1 The council tax base is the total taxable value at a point in time of all the domestic properties in the council's area. It is an annual calculation and represents the estimated number of chargeable dwellings after allowing for exemptions and discounts, reliefs, projected changes in the property base and after applying an estimated collection rate.
- 1.2 The total taxable value referred to above is arrived at by each dwelling being placed in one of eight valuation bands (A – H) by the Valuation Office, with a statutorily set fraction then being applied in order to convert it to a 'band D equivalent' figure. These band D equivalent numbers are then aggregated at a district wide level and are also sub totalled for parishes. This calculation has to be done by the council responsible for sending the bills out and collecting the council tax ('the billing authority'). In two tier areas, district councils fulfil this function.
- 1.3 The council tax base is used in the calculation of council tax. Each authority divides the total council tax income it needs to meet its budget requirement by the tax base of its area to arrive at its band D council tax. The same fractions referred to in the previous paragraph are then used to work out the council tax for properties in each of the other bands.
- 1.4 The tax base for central government purposes is calculated as at 5 October 2020 as an extract from the council tax system. This information is submitted to the Ministry for Housing, Communities, and Local Government (MHCLG) on the Council Tax Base 1 (CTB1) return. This unadjusted tax base forms part of the basis for funding and allocation assumptions in the local government finance system, such as Revenue Support Grant and New Homes Bonus (NHB) allocations
- 1.5 Calculation of the tax base for council tax setting purposes uses an updated CTB1 report at parish level and band D equivalents are adjusted to reflect changes as result of any technical/LCTRS changes, forecast LCTRS reliefs, projected changes in the property base and predicted collection rates.

## **2 CALCULATION OF THE COUNCIL TAX BASE FOR TAX SETTING PURPOSES**

- 2.1 The CTB1 report shows the analysis of properties across the eight valuation bands for the following classifications of liability:
- properties attracting 100 per cent liability
  - properties attracting a premium, such as second homes
  - properties with an entitlement to a discount of 25, 50 or 100 per cent, such as disabled relief and single person discounts
  - properties that are exempt
  - LCTRS discounts.
- 2.2 Elements of the CTB1 return sent to MHCLG relating to the total physical number of properties and the number of empty properties are currently directly used in the calculation of NHB allocations.

- 2.3 An updated CTB1 report at parish level as at 30 November 2020 has then been reviewed and revised in respect of the following forecasts and assumptions to produce the council tax base for tax setting purposes.
- 2.4 **Changes in the property base** - Potential growth in the property base during 2021/22 based on assumed completions from sites within the local plan that are under construction.
- 2.5 **Forecast level of LCTRS reliefs** - As a result of the economic impacts of the Covid-19 pandemic, the value of LCTRS reliefs has risen significantly. As at the end of November, the value of working age LCTRS reliefs for the year to date was around 14% higher than budgeted. As the furlough scheme unwinds, this trend is expected to continue, and it has been assumed that a similar increase in LCTRS reliefs will be seen in 2021/22, concentrated in the larger towns and parishes of the district.
- 2.6 Collection rate – Council tax collection in the district has typically been at a very high level, and over the years the collection rate used in the tax base calculation has been increased to 99%. However, the Covid-19 pandemic has impacted on collection rates. In addition, there are concerns about the possible collection rate in 2021/22 in respect of LCTRS working age claimants. In 2020/21 the element of the council tax that these claimants are required to pay has been supported by the Government’s Council Tax Hardship Fund (up to a maximum of £150). These arrangements are not being extended in 2021/22. Taking these issues into account, the collection rate used in the tax base calculation has been revised downwards to 98.75%.
- 2.7 **Appendix A** shows the estimated 2021/22 council tax base for the district of **87,339.43 Band D equivalents** by parish. This Appendix also shows the increase or decrease in the tax base by parish compared with 2020/21.
- 2.8 Overall, the tax base for the district shows a reduction of 549.44, or around 0.63%, on the tax base for the current year of 87.888.87 Band equivalents. The reasons for this reduction are briefly summarised in the table below.

<b>Summary of changes</b>	<b>Band D</b>
Net growth in properties 2020/21	634.02
Increased LCTRS Reliefs	-939.26
Less growth in properties than estimated in 2020/21	-59.90
Reduction in Collection Rate	-216.90
Ministry of Defence properties	32.60
<b>Net change in Band D properties</b>	<b>-549.44</b>

### **3 LOCAL COUNCIL TAX SUPPORT GRANT FUNDING**

- 3.1 In the one-year Spending Review announced on 25 November 2020, £670m additional grant funding was announced to provide support to authorities in respect of the impact on council tax bases arising from increased LCTRS reliefs. This funding has subsequently been confirmed in the Provisional Local Government Finance Settlement. Major precepting authorities will receive a Local Council tax Support Grant allocation proportionate to their share of the council tax bill in the district, based on the increase in the value of LCTRS reliefs in the year between

the October 2019 CTB1 and October 2020 CTB1 returns, together with an allowance for forecast increases at a national level.

- 3.2 Under these arrangements this grant is being paid to all precepting authorities to compensate for the effects of reductions in the council tax base due to increased LCTRS reliefs. The major precepting authorities will receive a total of £2.748m in grant relating to the East Suffolk area in 2021/22 as follows: Suffolk County Council £2.040m; Suffolk Police and Crime Commissioner £0.338m; and East Suffolk Council £0.370m. As a billing authority, the East Suffolk Council grant includes an element relating to the reduction in tax bases experienced at town and parish level. Based on the share of the overall average council tax bill, this element is estimated to amount to around £110k. This grant is unringfenced and its use is discretionary, including whether or not to pass on an element to town and parish councils to provide support to their budgets and potentially reduce the levels of their precepts and parish council taxes.
- 3.3 A scheme has been developed to pass on £110k of this grant to East Suffolk's town and parish councils to compensate them for the Covid-19 related tax base reductions referred to in this report. The methodology adopted to determine these allocations has been as follows:
- Assess the impact of working age LCTRS reliefs on the parish tax base, expressed as Band D equivalents, where working age LCTRS reliefs have actually decreased that element of the calculation has been set as nil;
  - Assess the impact of the reduced collection rate on the parish tax base, expressed as Band D equivalents;
  - Apply these two values of Band D equivalents to the parish precept for 2020/21 to indicate the impact of these tax base reductions on income at the 2020/21 level;
  - Allocate £110k to parishes pro rata to these reductions to produce a grant allocation for the parish, having set a de minimis grant level of £10 per parish.
- 3.4 These proposed grant allocations are set out in Appendix B. It is proposed that all these grant payments be made as single payments at the same time as the end of April precept payments.

#### **4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?**

- 4.1 The vision of the East Suffolk Strategic Plan is to “deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk”. Council tax is one of the council's key income streams and directly contributes to the Financial Sustainability theme, and calculation of the council tax base underpins that income stream and provides the basis for tax setting.

#### **5 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 5.1 A reduction in the council tax base has financial implications for precepting authorities as their income from a given level of Band D council tax is reduced. At the 2020/21 council tax levels, a reduction in the tax base of 549.44 Band D equivalents results in reductions in council tax income of: Suffolk County Council £738k; Suffolk Police and Crime Commissioner £122k; and East Suffolk Council £94k. For East Suffolk Council, the reduction compared to the tax base forecast included in the MTFS in February 2020 amounts to £245k.
- 5.2 Although the position on LCTRS reliefs for next year is uncertain, at current estimated levels the Council Tax Support allocations should negate these impacts.
- 5.3 For town and parish councils, a reduction in the tax base means that if the parish kept its precept the same as last year, it would still see an increase in the parish element of the

council tax. However, the fact that growth in the number of properties and LCTRS reliefs are not evenly spread across the district means that some parishes have seen increases in their tax base, whilst others have seen decreases greater than the overall reduction of 0.63%. The Council Tax Support scheme proposed in this report will mitigate the impacts of the Covid-19 pandemic on the parish tax base to a large extent, enabling parishes to consider their precepts and parish council taxes in the knowledge that they will be receiving a grant.

## **6 OTHER KEY ISSUES**

- 6.1 An Equality Impact Assessment is not applicable to calculation of the council tax base, which is a statutory requirement. An Equality Impact Assessment has been prepared in respect of the Council Tax Support scheme to towns and parishes proposed in this report.

## **7 CONSULTATION**

- 7.1 Although there is no formal requirement to consult on setting of the council tax base, given the potential financial impact of the Covid-19 pandemic on council tax, council officers have been in constant touch with the major precepting authorities over course of this year, Briefings on the implications for town councils have also been held at the quarterly meetings with town clerks. All towns and parishes were written to in October with an indication of the forecast tax base at that time, to inform them of the potential implications for their own precepts and tax levels. Towns and parishes will be written to after the council tax base is approved, informing them of their individual tax base, requesting their precepts for 2021/22, and informing of their Council Tax Support grants should these be approved by Cabinet.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 The Local Authorities (Calculation of Council Tax Base) Regulations 1992 sets out the requirements for the calculation of the council tax base for tax setting purposes, and there are consequently no alternative options to consider.
- 8.2 The Council could consider not passing on an element of Council Tax Support funding to towns and parishes. However, the proposed option represents a valuable opportunity to financially support towns and parishes and their council tax payers in respect of the impacts of the Covid-19 pandemic.

## **9 REASON FOR RECOMMENDATION**

- 9.1 To approve a council tax base for the purposes of tax setting as required by the Local Authorities (Calculation of Council Tax Base) Regulations 1992.
- 9.2 To approve a scheme for passing on an element of Local Council Tax Support Grant to Town and Parish Councils.

## **RECOMMENDATIONS**

That Cabinet approve

1. That the council tax base for 2021/22 for the East Suffolk district is 87,339.43 Band D equivalent properties.
2. The council tax bases for 2021/22 for individual town and parish areas as shown in Appendix A.
3. The Local Council Tax Support Grant allocations to Town and Parish Councils detailed in Appendix B.

## **APPENDICES**

<b>Appendix A</b>	East Suffolk Council Tax Base 2021/22 by Town and Parish area
<b>Appendix B</b>	Proposed Local Council Tax Support Grant allocations to Town and Parish Councils

**BACKGROUND PAPERS – None**