

North Tyneside Council

Report to Cabinet

Date: 20 January 2020

Title: Calculation of the 2020/21 Council Tax Base

Portfolios: Finance & Resources	Cabinet Member: Councillor Ray Glindon
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Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Head of Finance (Chief Finance Officer) (Tel: 643 5701)

Wards affected: All

1.1 Executive Summary:

The Council Tax Base is an annual statutory calculation, used to determine the level of Council Tax for individual properties. The Tax Base represents the number of properties which will be subject to Council Tax, and which are expressed in terms of their Band D equivalents, after allowing for the effect of discounts, exemptions and reliefs.

The agreed Tax Base for North Tyneside Council for 2020/21 will be used in the 2020/21 Budget and Council Tax calculation. The Tax Base is also used as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority and the Mayor of the North of Tyne Combined Authority) to determine their precept requirements.

The 2020/21 Council Tax Base calculation and recommendations below are based on no changes to the Council Tax Support Scheme for 2020/21, meaning that Council Tax Support for working age claimants is calculated on 85.0% of Council Tax liability. Pensionable age claimants still receive Council Tax Support based on 100% of their Council Tax liability.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) approves this report on the calculation of North Tyneside's Council Tax Base for 2020/21 and,
- (2) pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 agrees that the assumed Council Tax collection rate for 2020/21 remains at 98.50% and therefore the amount calculated by North Tyneside Council as its Council Tax Base for 2020/21 shall be 61,870 Band D equivalent properties.

1.3 Forward plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 03 December 2019.

1.4 Council plan and policy framework:

- 1.4.1 This Tax Base calculation is a key element of the Budget Setting process and therefore is a key strand of the Budget and Policy Framework.

1.5 Information - Explanation of the Council Tax Base Calculation

- 1.5.1 As noted earlier, the Council Tax Base is an annual statutory calculation, used to determine the level of Council Tax for individual properties.
- 1.5.2 The Welfare Reform Act 2012 abolished Council Tax Benefit from 31 March 2013 and required that Local Authorities had to create a localised Council Tax Support Scheme with effect from 1 April 2013. Therefore, as with the last seven years, for the calculation of the 2020/21 Council Tax Base, Council Tax Support takes the form of reductions.
- 1.5.3 The calculation of the 2020/21 Council Tax Base has been prepared in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, which came into force on 30 November 2012.
- 1.5.4 The Local Government Finance Act 2012, sets out the statutory framework under which the decisions on local discounts and second homes may be made.
- 1.5.5 The 2020/21 Council Tax Base set out within this report is based on the North Tyneside Council Local Council Tax Support Scheme remaining at the same level in 2020/21 as was set in 2019/20.

Tax Base Calculation for 2020/21

- 1.5.6 The detailed Council Tax Base calculation for North Tyneside for 2020/21 is attached as Appendix A to this report, together with an explanation of the specific elements that form part of this calculation. Within this calculation, adjustments have been made to reflect the effect of exempt properties, disabled relief and discounts. Specifically, these adjustments include:
- The estimated number of dwellings to be demolished during 2020/21;
 - Assumed growth from anticipated New Build properties during 2020/21 based on current estimates from the Planning Department;
 - The estimated number of dwellings where the liable person qualifies for a disabled reduction;
 - The estimated number of exempt dwellings during 2020/21;
 - The estimated impact of no change being proposed to the Council Tax Support scheme in 2020/21.
 - The estimated impact of introducing Council Tax Premiums for long term empty properties (If approved at full Council on 16 January 2020)
- 1.5.7 Applying the adjustments listed in paragraph 1.5.6 has the effect of reducing the total number of properties to a common base for each band, in terms of full year equivalents.
- 1.5.8 The Council Tax Base Regulations ensure that the Council Tax Base for an area considers the effect of disability reductions in respect of dwellings which fall within Band A. They introduced an additional 'alternative valuation band' to allow Band A properties to qualify for a disabled reduction. Previously, properties adapted to meet the needs of a disabled person were charged at a rate equal to the next lowest valuation band, so for example a qualifying Band D property would be charged at a Band C rate, but this hadn't applied to Band A properties. Instead of paying the normal Band A charge (six-ninths of the Band D) a qualifying Band A property is now charged five-ninths of the Band D charge. For the purpose of the Council Tax Base calculation it is now necessary to show Band A properties which qualify for a disabled reduction as if it were an additional valuation band. Deductions are then made for exempt dwellings and the estimated impact of the Council Tax Support scheme for 2020/21, as set out earlier within this report.
- 1.5.9 In order to arrive at the Council Tax Base calculation for 2020/21, the number of dwellings within each of the Council Tax Bands, A – H, have been converted to their Band D equivalents, using the appropriate proportions, shown in Table 1 below. The result of this calculation for 2020/21 is to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 62,761

Table 1: Council Tax Band Proportions

Council Tax Band	Proportion of Band D
Band A Entitled to Disabled Relief Reduction	5/9 (55.6%)
Band A	6/9 (66.7%)
Band B	7/9 (77.8%)
Band C	8/9 (88.9%)
Band D	9/9 (100.0%)
Band E	11/9 (122.2%)
Band F	13/9 (144.4%)
Band G	15/9 (166.7%)
Band H	18/9 (200.0%)

Assumed Council Tax Collection Rate

- 1.5.11 The next stage of the Council Tax Base calculation involves making a deduction for the non-collection of Council Tax. This non-collection element of the calculation is made in respect of the amounts that are legally due, but which, for varying reasons, may not be collected. The assumed Council Tax collection rates for North Tyneside have improved significantly since 1993/94, when the assumed collection rate was 95%. The assumed North Tyneside Council Tax collection rates for each year from when Council Tax was introduced in 1993/94 are illustrated in Table 2 below:

Table 2: Assumed North Tyneside Council Tax Collection Rates Since 1993/94

Year	Assumed North Tyneside Council Tax Collection Rate
1993/94	95.00%
1994/95	96.00%
1995/96	96.50%
1996/97	96.625%
1997/98	96.75%
1998/99	97.00%
1999/00	98.00%
2000/01	98.125%
2001/02	98.25%
2002/03	98.60%
2003/04	98.75%
2004/05	98.875%
2005/06 – 2007/08	99.00%
2008/09 – 2010/11	99.10%
2011/12 – 2012/13	99.20%
2013/14 – 2019/20	98.50%

- 1.5.12 A fundamental issue for the Council Tax Base calculation is the assumed percentage Council Tax collection rate to apply. As can be seen in Table 2 above, the Authority's performance on Council Tax collection has been improving for

many years, reaching a peak of 99.20% in setting the Council Tax Base for 2012/13. However, since 2013/14, a lower collection rate of 98.50% was proposed and agreed. This lower rate of 98.50% was set to reflect the estimated impact of the Council Tax Support Scheme, the estimated impact of other Welfare Reform changes and changes to Exemptions and Discounts applied from 2013/14.

- 1.5.13 Council Tax in year collection remains steady. Council Tax collection has remained reasonably consistent in each of the last four financial years. This is only however an approximate indicator of the assumed Council Tax performance, given the significant time lag effect between in year and ultimate Council Tax collection performance.
- 1.5.14 Having considered various issues in relation to the collection rate for 2020/21, namely:
- 1) Current Council Tax collection rates
 - 2) The estimated impact of the Council Tax Support Scheme
 - 3) The estimated impact of other Welfare Reform changes
 - 4) The impact of previous and proposed changes to Exemptions and Discounts.
 - 5) Change to Council Tax rate

It is proposed that an assumed Council Tax Collection Rate of 98.50% is set as part of the 2020/21 Council Tax Base calculation. This is felt prudent as the risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Council Tax element of the Collection Fund, which in turn will have to be funded by the Authority's General Fund. This calculation is reviewed on an annual basis.

- 1.5.15 The final stage of the Council Tax Base calculation involves adding an estimated amount in respect of contributions in lieu of Council Tax to be made to the Authority, which is expressed in terms of the number of Band D equivalent properties. For 2020/21 this figure for North Tyneside Council which relates to Ministry of Defence properties is 50 Band D equivalent properties.

Resulting Council Tax Base Calculation for 2020/21

- 1.5.16 The 2020/21 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu is 61,870 Band D equivalent properties. This equates to an increase of 1,691 Band D equivalent properties compared to the 2019/20 figure.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

- 1.6.1 Whilst the annual Council Tax Base calculation is a statutory calculation, there is always discretion to amend the assumed Council Tax collection rate each year, based on experience and actual / anticipated collection rates. Changes to exemptions, discounts, premiums and the Local Council Tax Support Scheme can

also be made. Changes to exemptions, discounts, premiums and the Local Council Tax Support Scheme are a matter reserved as a decision for Council. As noted earlier in this report the Local Council Tax Support Scheme for 2020/21 will remain at the level set in 2019/20. Option 1 in this report is:

- Setting the 2020/21 Council Tax Base for North Tyneside Council using a assumed council tax collection rate of 98.50%;
- Noting the Council Tax Support Scheme.

Option 2

- 1.6.2 The only available options for Cabinet, following the Authority's decision to leave the Local Council Tax Support scheme at the same level as 2019/20, are options to amend the assumed Council Tax collection rate. As noted earlier within this report, the current collection rate of 98.50% is proposed to remain unchanged for 2020/21. An increase in the collection rate would increase the Council Tax Base and a reduction in the collection rate would reduce the Council Tax Base. The impact of different Council Tax collection rates are shown in Table 3 below. For 2020/21 each 0.1% change to the collection rate would change the Council Tax Base by approximately 63 Band D equivalent properties which would equate to a change in resources of approximately £0.0988m.

Table 3: Illustrative Example - Impact of Changing the Council Tax Collection Rate

Council Tax Collection Rate	Revised Council Tax Base for 2020/21	Change in Resources for 2020/21
98.30%	61,744	Reduction in resources of £0.1976 million
98.40%	61,807	Reduction in resources of £0.0988 million
98.50%	61,870 (Proposed)	No Change
98.60%	61,933	Increase in resources of £0.0988 million
98.70%	61,996	Increase in resources of £0.1976 million

1.7 Reasons for recommended option:

- 1.7.1 Option 1 is recommended for the following reasons:

Council Tax Collection Rate

The proposed 98.50% Council Tax collection rate representing no change on the 2019/20 collection rate is felt to be prudent for the reasons set out in paragraph 1.5.14 of this report.

The risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Council Tax element of the Collection Fund, which in turn will have to be funded by the Authority's General Fund. This collection rate is reviewed as part of the annual Council Tax Base calculation, and the 98.50% collection rate will be reviewed in determining the Council Tax Base for 2021/22.

1.8 Appendices:

Appendix A: Detailed Council Tax Base calculation for North Tyneside Council for 2020/21.

1.9 Contact officers:

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1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (1) [Local Government Finance Act 1992](#)
- (2) [Localism Act 2011](#)
- (3) [Local Government Finance Act 2012](#)
- (4) [Local Authorities \(Calculation of Council Tax Base\) \(England\) Regulations 2012.](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

This report details the 2020/21 Council Tax Base calculation. This annual calculation is a key component of the Council Tax and Budget Setting Process. The Council Tax Base is used as a denominator within the annual Council Tax and Budget calculation to determine the exact level of Council Tax to be charged for each valuation band for a given year. The charge for each Council Tax Band (A-H) for 2020/21 is calculated by dividing the amount of Council Tax income required by the agreed 2020/21 Council Tax Base for North Tyneside. It is also used as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority and the Mayor of the North of Tyne Combined Authority) to determine their precept requirements.

As noted previously, the change to the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 produced a fundamental change to the Council Tax Base calculation. As with 2019/20, for the purposes of the 2020/21 Council Tax Base, Council Tax Support takes the form of reductions.

These regulations result in the proposed Council Tax Base calculation for 2020/21 representing an increase of 1,691 Band D equivalents compared with 2019/20.

The items noted in paragraph 1.5.14 of this report have all been considered in determining the proposed assumed Council Tax collection rate for 2020/21 of 98.50%.

The 2020/21 Council Tax Base figure included within this report will be built into the 2020/21 final Council Tax Requirement and Budget proposals.

2.2 Legal

Under the Local Government Finance Act 1992, as amended, Cabinet is required to make an annual resolution for calculating the Council Tax Base and to notify this figure to major precepting authorities, which in the case of North Tyneside Council are, the Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority and the Mayor of the North of Tyne Combined Authority during the period from 1 December to 31 January. Once the Tax Base for 2020/21 has been set, it cannot be altered after 31 January 2020.

The determination of the amount to be used as the Council Tax Base for the purposes of calculating the basic amount of Council Tax for the Authority is the responsibility of Cabinet in accordance with Section 67(2A) (za) of the Local Government Finance Act 1992.

2.3 Consultation/community engagement

Consultation on the potential introduction of Council Tax Premiums for empty properties took place and a report was presented to Cabinet on 25 November 2019.

During discussions on the budget throughout 2019 it was decided that Cabinet would not propose any revision of the Council Tax Support Scheme for 2020/21. As such no further consultation was required for that element.

2.4 Human rights

The proposals within this report do not themselves have direct implications in respect of Human Rights.

2.5 Equalities and diversity

The proposals within this report do not themselves have direct implications in respect of equalities and diversity. In relation to a key component of the 2020/21 Council Tax base calculation, namely the potential introduction of Council Tax premiums for empty homes, an Equality Impact Assessment was carried out.

2.6 Risk management

Appropriate risks have been considered in determining the proposed Council Tax collection rate, as noted within the report, which forms part of the overall Council Tax Base calculation for 2020/21.

2.7 Crime and disorder

The proposals within this report do not themselves have direct implications for crime and disorder.

2.8 Environment and sustainability

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive x
- Head(s) of Service x
- Mayor/Cabinet Member(s) x
- Chief Finance Officer x
- Monitoring Officer x
- Head of Corporate Strategy & Customer Service x