

North Tyneside Council

Report to Cabinet

Date: 24 January 2022

Title: Calculation of the 2022/23 Council Tax Base for North Tyneside Council

Portfolios: Finance & Resources	Cabinet Member: Councillor Martin Rankin
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Report from: Finance

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

Wards affected: All

1.1 Executive Summary:

The Council Tax Base is an annual statutory calculation, used to determine the level of Council Tax to be paid for individual properties in the Borough. The Tax Base represents the number of properties that 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 2022/23 will be used in the 2022/23 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 and the Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.

The 2022/23 Council Tax Base calculation and recommendations below are based on one change to the Council Tax Support Scheme, which increases the maximum backdating rule for working age claimants, from the current 4 weeks to 26 weeks, as proposed in the 2022-2026 Financial Planning and Budget Process – Cabinet’s Initial Budget Proposals, which were approved by Cabinet on 29 November 2021. This means Council Tax Support for working age claimants is still 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 2022/23 and,
- (2) agrees that the assumed Council Tax collection rate for 2022/23 is set at 98.50% and therefore the amount calculated by North Tyneside Council as its Council Tax Base for 2022/23 shall be 62,229 Band D equivalent properties, pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

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 22 October 2021.

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 to be paid for individual properties.
- 1.5.2 The Welfare Reform Act 2012 abolished Council Tax Benefit from 31 March 2013 and required local authorities to create a localised Council Tax Support Scheme with effect from 1 April 2013. Therefore, as with the last nine years, for the calculation of the 2022/23 Council Tax Base, Council Tax Support takes the form of reductions.
- 1.5.3 The calculation of the 2022/23 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, set out changes to Council Tax legislation and provided the statutory framework under which the decisions on local discounts and second homes may be made.
- 1.5.5 The 2022/23 Council Tax Base set out within this report is based on one change to the North Tyneside Council Local Council Tax Support Scheme, subject to approval of full Council to increase the backdating rule from a maximum of 4 weeks to a maximum of 26 weeks for working age claimants.

Tax Base Calculation for 2022/23

- 1.5.6 The detailed Council Tax Base calculation for North Tyneside for 2022/23 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, discounts, and premiums. Specifically, these adjustments include:
- The estimated number of dwellings to be demolished during 2022/23;
 - Assumed growth from anticipated new build properties during 2022/23 based on current estimates from the Planning Department; but reflecting the current reduction in house building caused by Covid-19 and ongoing supply chain challenges;
 - The estimated number of dwellings where the liable person qualifies for a disabled reduction;
 - The estimated number of exempt dwellings during 2022/23;
 - The estimated impact of the change being proposed to the Council Tax Support scheme in 2022/23;
 - The estimated number of premiums which apply to long term empty properties.
- 1.5.7 Applying the adjustments listed in paragraph 1.5.6 has the effect of adjusting 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 takes into account the effect of disability reductions in respect of dwellings which fall within Band A. The Regulations 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 respectively, but this did not apply 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 2022/23, as set out earlier within this report.
- 1.5.9 In order to arrive at the Council Tax Base calculation for 2022/23, 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 2022/23 is to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 63,126.

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

- 1.5.10 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 – 2020/21	98.50%
2021/22	98%

- 1.5.11 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 was 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. The 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.
- 1.5.12 Council Tax in year collection reduced in 2020/21 and 2021/22 due to the impacts of Covid-19 which has seen a reduction in income for some of our residents. The Authority has seen an increase in residents of working age claiming Local Council Tax Support in the last two financial years but there are now signs that the numbers of claimants are reducing. As at the end of November 2021, the in-year collection for 2021/22 is 0.50% lower than at the same point in 2019/20. However, it is 0.10% ahead of what it was in 2020/21 at the same point. This is because the Authority paused recovery of Council Tax debt in 2020/21 until later in that financial year to support residents who were having difficulty in paying. The collection rate at this point is only an approximate indicator of the assumed Council Tax collection performance, given the significant time lag effect between in year and ultimate Council Tax collection performance.
- 1.5.13 Having considered various issues in relation to the collection rate for 2022/23, namely:

- 1) Current Council Tax collection rates;
- 2) The estimated longer-term financial impact of Covid-19;
- 3) The estimated impact of the Council Tax Support Scheme;
- 4) The impact of previous changes to Exemptions and Discounts and Empty Property Premiums; and
- 5) Change to Council Tax rate in 2021/22.

It is proposed that an assumed Council Tax collection rate of 98.50% is set as part of the 2022/23 Council Tax Base calculation. This is an increase against the assumed collection rate for 2021/22 which was reduced to take account of the difficulty in collection due to job losses, furlough and the general economic climate caused by Covid-19. This year collection has improved against 2021/22 at this point, recovery of Council Tax debt is in place and the Council Tax Support claims are reducing. It is also the case that since 2020/21, working age Council Tax Support claimants have been further assisted with up to £150.00 additional support against their Council Tax through government grants. When this is removed from 2022/23 it may have some impact on in year collection. Despite this it is felt that a return to the assumed collection rate of prior to 2021/22 of 98.50% is achievable long term.

- 1.5.14 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 2022/23 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 2022/23

- 1.5.15 The 2022/23 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu is 62,229 Band D equivalent properties. This equates to an increase of 1,288 Band D equivalent properties compared to the 2021/22 figure, this is down to a reduction in Council Tax Support claims, and the increase in the assumed long-term collection rate.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet:

- Sets the 2022/23 Council Tax Base for North Tyneside Council using an assumed Council Tax collection rate of 98.50%; and
- Agrees the change to the Council Tax Support Scheme.

Option 2

Cabinet does not agree the proposed Council Tax Base calculation and asks officers to undertake further work on the proposal.

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 and Discounts and the Local Council Tax Support Scheme can also be made. Changes to Exemptions, Discounts and the Local Council Tax Support Scheme are matters reserved to full Council. As noted earlier in this report the Local Council Tax Support Scheme for 2022/23 will remain at the same levels as set in 2021/22 with only a small change to the backdating rule for working claims.

Option 2

- 1.6.2 The only available option for Cabinet, following the decision to agree to the change to the backdating rule for working age but leaving the level of Local Council Tax Support at the same rate as 2021/22, is to amend the assumed Council Tax collection rate. As noted earlier within this report, the current collection rate of 98.00% is proposed to increase to 98.50%, which is the rate that was in place prior to 2021/22.

An increase in the collection rate increases the Council Tax Base and a reduction in the collection rate reduces the Council Tax Base. The impact of different Council Tax collection rates is shown in Table 3 below. There are no increases shown beyond 98.5% as this is not felt viable in the current economic situation.

Table 3: Illustrative Example - Impact of Changing the Council Tax collection rate

Council Tax collection rate	Revised Council Tax Base for 2022/23
98.00%	61,913 (current collection rate in 2021/22)
98.10%	61,976
98.20%	62,039
98.30%	62,103
98.40%	62,166
98.50%	62,229 (proposed collection rate for 2022/23)

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% assumed Council Tax collection rate, representing an increase of 0.5% on the 2021/22 assumed collection rate is felt to be achievable for the reasons set out in paragraph 1.5.13 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 2023/24.

1.8 Appendices:

Appendix A: Detailed Council Tax Base calculation for North Tyneside Council for 2022/23.

1.9 Contact officers:

David Dunford, Senior Business Partner, Finance Service.
Tel (0191) 643 7027

Tracy Hunter, Client Manager Revenues and Benefits, Finance Service.
Tel (0191) 643 7228

1.10 Background information:

There are no background papers to this report.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

This report details the 2022/23 Council Tax Base calculation, which has been undertaken in compliance with the Local Government Finance Act 1992, the Localism Act 2011, the Local Government Finance Act 2012, and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. 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 2022/23 is calculated by dividing the amount of Council Tax income required by the agreed 2022/23 Council Tax Base for North Tyneside. It is also used as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue 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 2021/22, for the purposes of the 2022/23 Council Tax Base, Council Tax Support takes the form of reductions.

The change of increasing the maximum backdating rule for working age claimants, from the current 4 weeks to 26 weeks at this stage is projected to be in the region of £0.005m and is included within the 'impact of Council Tax Support scheme' line in Appendix A.

These regulations result in the proposed Council Tax Base calculation for 2022/23 of 62,229 representing an increase of 1,288 Band D equivalents compared with 2021/22. The items noted in paragraph 1.5.13 of this report have all been considered in determining the proposed assumed Council Tax collection rate for 2021/22 of 98.50%. The 2022/23 Council Tax Base figure included within this report will be built into the 2022/23 final Council Tax Requirement and Budget proposals.

2.2 Legal

Under the Local Government Finance Act 1992 the Authority is required to determine the Council Tax Base and to notify this figure to the major precepting authorities, namely, the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority during the period from 1 December to 31 January. Once the Tax Base for 2022/23 has been set, it cannot be altered after 31 January 2022.

The determination of the Council Tax Base 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 this report has taken place with the Cabinet Member for Finance and Resources, the Senior Leadership Team, and through budget consultation with the public with regards to the change proposed to Council Tax Support for working age claimants.

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.

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 2022/23.

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
- Director of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Assistant Chief Executive X