

Executive Board – 19 January 2021

Subject:	Council Tax – Determination of the 2021/22 Tax Base
Corporate Director(s)/Director(s):	Clive Heaphy, Strategic Director of Finance
Portfolio Holder(s):	Councillor Sam Webster, Portfolio Holder for Finance, Growth and the City Centre
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Other colleagues who have provided input:	Ian Fair, Senior Accountant, Strategic Finance
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a) <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Type of expenditure: <input type="checkbox"/> Revenue <input type="checkbox"/> Capital	
Total value of the decision: Nil	
Wards affected: All	
Date of consultation with Portfolio Holder(s): Consultation throughout the budget process	
Relevant Council Plan Key Theme:	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input type="checkbox"/>
Growing Nottingham	<input type="checkbox"/>
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
The Council Tax base figure is used in the calculation of the Council Tax to provide resources for the delivery of the Council's vision, values and objectives. Council Tax revenue funds service delivery.	
Exempt information:	
None	
Recommendation(s):	
1 To approve a tax base of 66,396 for 2021/22	
2 To agree that a collection rate of 97.5% be used in the determination of the 2021/22 tax base	
3 To determine an increase in the Council Tax Premium levied on long term empty properties that are vacant and substantially unfurnished for ten years or more from 200% additional Council Tax to 300% from 1 st April 2021 as part of these calculations	

1 Reasons for recommendations

- 1.1 The City Council and precepting authorities (i.e. Police and Fire Authorities) will use the tax base figure in their budget processes in February 2021 to determine the level of Council Tax for 2021/22. This report estimates future changes to the current tax base

during 2021/22 and applies an appropriate anticipated collection rate for the period, taking into account collection trends and the prevailing economic environment, to determine the tax base figure to be set.

- 1.2 From 1st April 2021 s.11B of the Local Government Finance Act 1992 will allow Local Authorities to increase the Council Tax Premium that is levied on properties that are empty and unfurnished for ten years or more from a maximum of an additional 200% of the Council Tax charge up to 300%. A determination is sought to approve a change to the maximum charge of 300%. This will encourage such properties to be brought back into occupation, or will generate additional revenue where this is not successful.

2 Background (including outcomes of consultation)

2.1 Nottingham City Council is a “billing authority” for Council Tax purposes. The Local Government Finance Act 1992 requires the billing authority to determine the Council Tax base to be used in the calculation of the level of Council Tax. The tax base must be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 and be determined between 1 December and 31 January each year. The stages in the calculation of the tax base are as follows (all references to figures in brackets refer to paragraph 2.6 of this report):

- for each of the eight council tax valuation bands (A to H) a ‘relevant amount’ is calculated. This is the number of dwellings in each valuation band adjusted to take account of the effect of exemptions and discounts and disabled relief. This figure is expressed as the equivalent number of band D dwellings and reflects the situation at 5 October 2020 (figure 1);
- this figure is then adjusted to reflect any estimated increases or decreases in the number of dwellings, exemptions and discounts throughout the year ahead (figure 2). An additional adjustment is also made for the Council Tax Support scheme (CTSS) which replaced Council Tax benefit from 1 April 2013 as a Council Tax discount (figure 3). These adjustments are detailed in Appendix 2;
- the revised amount is expressed as the equivalent number of band D dwellings (figure 4). It is then multiplied by our estimated collection rate for the year (figure 5);
- any contribution paid in lieu in respect of Ministry of Defence (MoD) properties, which are exempt from the Council Tax, is added (figure 6);
- the result is the tax base for the authority (figure 7).

2.2 In October 2020 the annual CTB1 tax base return was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) showing the total number of band D equivalent properties subject to Council Tax at that time. At 5 October 2020 this was 84,472 (figure 1). An extract is at Appendix 1 and this figure is shown on line 23, column 10.

2.3 Potential changes that may affect the number of chargeable dwellings and the size of the tax base over time include:

- new properties and properties changing to domestic use
- demolitions, mergers and properties changing to commercial use
- increases or decreases in the number of discounts
- changes to the value of discounts
- increases or decreases in the number of exemptions;
- successful appeals against banding levels and the ‘knock on’ effect of appeals on surrounding properties;
- Council Tax Support.

- 2.4 In setting the tax base for 2020/21 a collection rate of 97.5% was used. For 2021/22 the collection rate will remain at this level to reflect estimated collection levels associated with Council Tax and CTSS based on recent analysis of collection trends. This establishes the tax base at 66,396 (figure 5). There are no properties owned by the MoD for which contributions in lieu are made. Additional information on how the tax base has been calculated is provided in the supplementary notes in Appendix 3.
- 2.5 From 1st April 2013 Local Authorities were given discretionary power to levy a Council Tax Premium on properties unoccupied and unfurnished for over two years to encourage such properties to be brought back into use. This was initially set at 50% additional council tax but from 1st April 2019 the maximum Premium level was increased to 100% additional council tax for properties that fitted this criteria. From 1st April 2020 the legislation allowed the Premium to be increased by up to 200% additional council tax for properties that have been empty for five years or more and from 1st April 2021 the Premium can be increased up to 300% where properties have been empty for ten years or more. 80 properties will fall into this latter category.
- 2.6 In summary, a tax base figure of 66,396 is recommended, calculated as follows:

	Figure	2021/22	2020/21
Number of chargeable dwellings	1	84,472	83,834
Less adjustment to chargeable dwellings for discounts and exemptions	2	(1037)	(647)
Less adjustments for Council Tax Support	3	(15,337)	(14,100)
Adjusted number of chargeable dwellings	4	68,098	69,087
Multiplied by collection rate (97.5%)	5	66,396	67,360
MoD Contributions	6	0	0
Council Tax Base	7	66,396	67,360

3 Other options considered in making recommendations

- 3.1 None, as the council is legally required to set a Council Tax base using objective calculations

4 Finance colleague comments (including implications and value for money/VAT)

- 4.1 The tax base of 66,396 will be lower in 2021/22 than the 67,360 set last year. This is mainly due to ongoing economic uncertainty caused by the Covid-19 pandemic including a revised estimate of CTSS levels. These changes will reduce the amount of Council Tax raised.
- 4.2 The overall collection rate is estimated to be 97.5% reflecting current collection levels and will be kept under review.
- 4.3 The tax base is a key element in setting the level of Council Tax. Value for money is assessed in all areas of service provision

5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

5.1 If the overall actual collection rate is lower than the assumed rate used here, this could result in a Collection Fund deficit, requiring an increase in the following year's Council Tax. A higher collection rate would increase the surplus and potentially marginally reduce the following year's Council Tax level. The collection rate of 97.5% reflects an analysis of arrears recovery, past trends and forecasting and the collection risk associated with the CTSS and the empty property Premium.

5.2 The setting of the tax base by 31 January 2021 is a legal requirement.

6 Strategic Assets & Property colleague comments (for decisions relating to all property assets and associated infrastructure)

6.1 Not applicable

7 Social value considerations

7.1 Not applicable

8 Regard to the NHS Constitution

8.1 Not applicable

9 Equality Impact Assessment (EIA)

9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because this report does not set out changes to services or functions. Any decision on Council Tax rates will be the subject of a subsequent report setting out the Council's proposed budget and this will incorporate a detailed equality impact assessment

10 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

10.1 None

11 Published documents referred to in this report

11.1 None

APPENDIX 2

ADJUSTMENTS TO NUMBER OF CHARGEABLE DWELLINGS

	Disabled in BAND A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
Number of band D equivalent										
dwellings on CTB1 Return (Line 21)	140.0	47880.3	13847.6	11530.0	5785.0	2624.1	1426.0	1088.3	151.0	84472.3
ADJUSTMENTS										
New properties (note 1)		438	122	82	36	12	5	4	1	700
Deletions (note 2)		-156	-43	-30	-13	-3	-3	-1	-1	-250
Discounts (note 3)		-185	-35	-19	-7	-2	-1	-1	0	-250
Empty Property Premium (note 4)		72	2	4	1	1	0	0	0	80
Exemptions (note 5)		-710	-507	-253	-99	-22	-5	-2	-2	-1600
Appeals - reductions (note 6)			-23	-16	-7	-2	-1	-1	0	-50
Appeals - increases (note 7)		23	16	7	2	1	1	0		50
Knock On Effect - reductions (note 8)			-47	-31	-14	-5	-2	-1	0	-100
Knock On Effect - increases (note 9)		47	31	14	5	2	1	0		100
Council Tax Support (note 10)		-19280	-2206	-631	-157	-27	-8	-3	0	-22312
TOTAL ADJUSTMENTS		-19751	-2690	-873	-253	-45	-13	-5	-2	-23632
Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
BAND D EQUIV OF ADJUSTMENTS		-13167.3	-2092.2	-776.0	-253.0	-55.0	-18.8	-8.3	-4.0	-16374.6
TOTAL BAND D EQUIVALENT DWELLINGS	140.0	34713.0	11755.4	10754.0	5532.0	2569.1	1407.2	1080.0	147.0	68097.7

COUNCIL TAXBASE ESTIMATE 2021/22: SUPPLEMENTARY NOTES

(1) New properties

There are several new property developments in progress across the City. Around 1300 domestic properties are either planned or are under construction. Not all of these will be completed and occupied and liable for Council Tax for the whole of 2021/22 however and some of these will be exempt from Council Tax as purpose built student accommodation. It is estimated that the equivalent of 700 new properties will be added to the tax base next year. These have been split across each of the bands based on the current proportion of properties in each band.

(2) Deletions

Property deletions relate to demolitions, properties that merge to become single assessments or those that change from domestic to commercial use. There is no major demolition work planned for 2021/22 so 250 properties are estimated to be removed from the tax base during the next financial year to reflect general activity in this area.

(3) Single Person Discounts and Disregards

Discounts for single occupancy reduce the council tax payable by 25%.

Additional single person discounts will be granted next year at some new properties, for changes within existing households and for some new occupiers moving into the City. There will also be discount cancellations as existing discounts are subject to ongoing monitoring and review. It is estimated that a net additional 1000 single person discounts will be awarded in 2021/22, which at 25% of the council tax charge equates to a reduction in the tax base of 250 full properties.

(4) Empty Property Premium

Properties empty and substantially unfurnished for more than two years but less than five years are subject to a Premium or surcharge equivalent to an extra 100% of the council tax charge and for those empty for five years or more the Premium is 200%. From 01/04/21 the legislation allows the Premium to be increased to 300% of the Council Tax charge for properties empty for ten years or more and it is proposed that the City Council will adopt this change. 80 properties will be subject to the 300% Premium in 2021/22.

(5) Exemptions

Most exemptions are granted for properties occupied by students. At the time of the CTB1 Return in October 2020, applications for student exemptions were still being received for the new academic year and have since increased from the level at that time. A number of the new properties in note (1) will also be student properties entitled to full council tax exemptions.

An allowance of an extra 1600 exemptions is to be made to reflect the level of exemptions in the tax base more accurately over the course of the year. These have been split on a pro rata basis across each of the bands based on the current number of exempt properties in each band.

(6) Appeals - reductions

Taxpayers may appeal against their council tax band to the Valuation Office Agency. Presently there are a low number of appeals outstanding and an allowance for 50 successful appeals is made to reflect average activity in this area. These are split across bands B to H on a pro rata basis.

(7) Appeals - increases

A successful appeal would result in a corresponding increase in the number of properties in the band below.

(8) Knock on effect - reductions

A successful appeal could result in banding reductions in surrounding properties. To account for this an allowance of 100 properties is made, split across bands B to H on a pro rata basis.

(9) Knock on effect - increases

Any further reductions would again increase the number of properties in the bands below.

(10) Council Tax Support

Council Tax Support takes the form of council tax discount. The amount granted in 2020/21 has increased over the year reflecting current economic circumstances and is expected to be higher in 2021/22 than the level estimated in the last tax base report.

It is estimated that 22,312 discounts for Council Tax Support will be granted in 2021/22, an increase from the 2020/21 estimate of 20,528.