

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

CALCULATING THE COUNCIL TAX BASE 2021/22

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider and approve the Council Tax base to be used for each part of the Council's area for formula grant and tax setting purposes.
- 1.2 The key elements of this report are:
 - To note the council tax base for grant purposes, as submitted to the Ministry of Housing, Communities and Local Government (MHCLG).
 - To set a tax base for setting Council Tax for the council, local parishes and major precepting authorities.
 - To note how the tax base has been adjusted to recognise the increased risk attributable to Covid-19.

2. BACKGROUND INFORMATION

2.1. North 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 Lincolnshire

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 (Anglian and Severn Trent Regions) and the Port Health Authority.

2.2. 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

- 2.3. 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 and notional spending power.
- 2.4. North 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 Lincolnshire Council and the precepting bodies, based on their tax decisions.
- 2.5. 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 several nationally determined discounts and the local Council Tax Support Scheme (CTSS). The CTSS requires working age households to pay a proportion of their council tax bill.

3. OPTIONS FOR CONSIDERATION

- 3.1. To note the council tax base applied for grant purposes.
- 3.2. To maintain the current level of council tax support scheme and discretionary reliefs and empty property surcharge.
- 3.3. To set the council tax base for the council, parishes and major precepting bodies in 2021/22.

4. ANALYSIS OF OPTIONS

Tax Base for Grant Purposes 2021/22

- 4.1. The Government uses taxbase data when it determines the amount of formula grant to be paid to each local authority. It makes use of the CTB form which billing authorities are required to submit every October. The submission is summarised in Appendix 1. It is assumed that councils will be able to collect 100% of the tax levied on this base and the Government uses the information to determine the council's share of formula grant. This data is also used by Government to notionally estimate the Council's spending power, published in the Local Government finance settlement.

Tax Base for Council Tax Purposes 2021/22

- 4.2. To determine the taxbase for Council Tax purposes for the council and those which precept on it, a comprehensive calculation is carried out which makes a series of adjustments to the gross taxbase in order to result in a revised estimate which provides the basis for the council tax requirement.
- 4.3. The gross taxbase is equivalent to the number of properties on the rating list at a point in time. A series of national discounts and exemptions are applied to the gross taxbase, together with local discounts (CTSS) and the empty property premium. From here, officer judgements in respect of property growth, non-collection and other adjustments are applied and then combines into a taxbase estimate.
- 4.4. Appendix 2 sets out the calculation steps which demonstrate how the revised taxbase has been arrived at and includes commentary which sets out the key assumptions which support the taxbase estimate. This report proposes a taxbase of 49,640.3 band D equivalents, which represents a 0.5% reduction from the taxbase which was approved for 2020/21.
- 4.5. It is a further reduction from the taxbase for 2021/22 which was assumed in the 2020/23 medium term financial plan, 50,279.5 band D equivalents, with the biggest contributing factors set out below (including band D impact):
 - A reduction in the collection percentage estimate (299)
 - A reduction in future property growth forecasts (107)
 - An increase in the number of single adult households (97)
 - More CTSS recipients than had been expected (93)
 - Lower property growth to October 2020 than had been expected (87)

One offsetting factor relates to the empty property premium, with an increase in the cohort of properties empty for longer than two years.

Covid-19

- 4.6. The emergence of the Covid-19 pandemic represents a material change of circumstances in respect of taxbase setting. The rise and spread of the virus have prompted a series of national policy measures which have been aimed to contain the outbreak and have encompassed national lockdowns and localised tiering restrictions, including the closure of some business sectors for large parts of 2020. At a national level, this has reduced consumer spending and impacted business trading conditions. The Office for Budget Responsibility (OBR) estimate that coronavirus has caused the economy to shrink by 11% this year, which has a knock-on impact to jobs and incomes. This is despite unprecedented Government intervention. Unemployment is forecast to increase to 7.5% during the middle of 2021, compared to 4% unemployment during the first quarter of 2020.
- 4.7. There are short, medium and long-term risks to the taxbase as a result of Covid-19. In the short-term, non-collection is at a heightened risk of increasing. In the medium term, there is a risk that increased unemployment

locally translates into greater structural need for council tax support. Longer-term, housing developments reflect the state of the economy

- 4.8. The Council has robust monitoring processes established which seek to monitor the state of the various aspects of council tax collection. This includes the change in property stock, the change in caseload and value of exemptions and discounts, collection rates and crucially how this compares to previous years. This insight enables the Council to make informed judgements when setting the tax base.
- 4.9. The Government announced a Covid-19 hardship fund for 2020/21, to provide all recipients of working age local council tax support with a further reduction in their annual council tax bill of £150. Furthermore, the Spending Review 2020 outlined an estimated £670m of additional un-ringfenced grant funding for local authorities in 2021/22 in recognition of the increased cost of providing local council tax support following the pandemic. In total, North Lincolnshire has indicatively been allocated approximately £1.4m, which is to be split between the major preceptors.

Collection Rate

- 4.10. Taking all information into account, it is judged prudent to make a step-change in the collection rate, to reduce the risk of generating a large collection fund deficit beyond 2021/22. This will be kept under regular review and is envisaged to be temporary until such time that the economy has started to return to pre-virus levels (see appendix 2).

Single Person Discount and e-Billing Development

- 4.11. The majority of the taxbase changes described in 4.5 are directly attributable to Covid-19. However, the increase in single person discount follows a trend of yearly increases pre-dating the virus. In October 2020, 26,376 properties were in receipt of single person discount (34.7% of the property stock). In October 2015, 24,852 properties benefitted from the discount (33.4% of the property stock at that time). The current cohort of single person discount claimants amount to £7.6m foregone council tax.
- 4.12. Single person discount is invaluable to eligible households. In the interest of financial stewardship and fairness to all taxpayers, the Council needs to continuously assure itself that those in receipt of the discount remain fully eligible. Every £1 foregone is £1 that cannot be invested into local communities. The Council is introducing a new system in 2021/22 which will require households in receipt of the discount to confirm they remain eligible on an ongoing basis. This will be supported by tools the Council has at its disposal to identify and detect instances where it appears multiple adults potentially liable for council tax are living at a property in receipt of the discount. The overarching aim is to ensure households pay their fair share towards the much-valued services provided and enabled by the Council.
- 4.13. The Council is also progressing a move to e-billing, with residents invited to register their interest when they receive their 2021/22 bill.

Council Tax Support Scheme 2021/22

- 4.14. The current estimated cost of the council tax support discount is £7.3m overall. This cost has come down in recent years because of the changes 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 CTSS proposed for 2021/22 is the same scheme as approved for 2020/21 subject to adjustments to reflect national benefit changes and any potential changes arising from point 4.9.

Empty Property Surcharge

- 4.15. Properties which have been empty for longer than two years are subject to an empty property premium of 100% surcharge. This was introduced as an incentive to reduce the number of long-term empty properties, to encourage them back in to use and fully occupied, in recognition that long term empty properties stifle success in our aim of having flourishing communities.
- 4.16. The Council has flexibility for if it wishes to go further and sharpen the incentive for properties empty for longer than five years (200% premium) or empty for longer than ten years (300% premium). These flexibilities are enabled through the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.
- 4.17. This report proposes that the current empty property premium be maintained for 2021/22. Principally, the emergence of Covid-19 has impacted how the Council has been able to work with impacted owners in resolving the long-term empty status of their properties. Instead, it is intended the wrap around advisory service be strengthened before reconsidering the need for further flexibilities in twelve months' time.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

- 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. Changes to the taxbase reduce the tax base by 0.5% from the 2020/21 base, reflecting a basic loss of resource of £0.4m in 2021/22 at the current North Lincolnshire Council band D level of tax.
- 5.3. 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. If long-term 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. However, the fund has a track record of high long-term collection rates, fund surpluses and low levels of council tax write offs suggesting moderate risk.

5.4. There are no implications for staffing, property, or IT.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1. Not applicable.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1. No impact assessment is required for the purpose of this report.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1. No consultation is required on the Council Tax Support Scheme as no changes are proposed.

9. RECOMMENDATIONS

9.1. That the council taxbase for grant purposes is noted (appendix 1).

9.2. That the council taxbase for the Council and other precepting bodies in 2021/22 be set at 49,640.3 band D equivalents (appendix 2 and 3).

9.3. That the revised assurance processes set out in respect of single person discount be endorsed.

9.4. That the current levels of council tax support scheme, discretionary relief and empty property surcharge be maintained.

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Background Papers used in the preparation of this report

Local Government Finance Act 1992, 2003, 2012

The Local Authorities (Calculation of Council Tax Base Regulations 1992, 1994 and 2012)

Local Government and Public Involvement in Health Act 2007 - The North Lincolnshire Council (Reorganisation of Community Governance) Order 2017

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

CTB (October 2020) Submission to MHCLG

COUNCIL TAX BASE FOR GRANT PURPOSES

Appendix 1

Data Extracted from CTB1 Form	Band A (disabled relief)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Number of dwellings equivalents	189.8	30,769.0	14,212.8	10,286.3	7,192.3	3,630.5	1,497.5	487.3	11.0	68,276.3
Ratio to band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Total number of band D equivalents	105.4	20,512.7	11,054.4	9,143.3	7,192.3	4,437.3	2,163.1	812.1	22.0	55,442.6
Band D equivalents in lieu (MOD Properties)										12.4
Tax base for Grant Purposes										55,455.0

COUNCIL TAX BASE CALCULATION SUMMARY 2021/22

Appendix 2

Council Tax Base Calculation Summary	Note	Band D Equivalents	Council Tax Yield £000
Gross Properties	1	61,427.9	93,166
National Discounts and Exemptions:			
Exempt properties	2	(956.0)	(1,450)
Disabled reduction		(90.4)	(137)
Single person discount	3	(4,987.6)	(7,565)
50% disregards		(92.6)	(140)
Family annex discount		(10.2)	(16)
Council Tax Support Scheme:			
Pensioner	4	(2,872.4)	(4,356)
Working Age	5	(1,960.8)	(2,974)
Technical Increases to Taxbase:			
Empty property premium	6	152.2	231
MoD properties		12.0	18
Taxbase Adjustments & Assumptions:			
Property growth	1	293.1	445
Natural reduction in CTSS recipients	4	50.0	76
General non-collection adjustment	7	(1,324.8)	(2,009)
Council Tax Base		49,640.3	75,288

Memo: 2020/21 band D rate (general rate & ASC precept)

£1,516.67

Analysis of Council Tax Base

The table below provides further information around the supporting information, trends or other information which form the basis for the taxbase setting assumptions.

Note	Commentary
1	<p>The Valuation Office Agency (VOA) maintain a list of domestic properties, which the Council must then bill from. The VOA report weekly changes to the rating list, incorporating additions and deletions, and other changes.</p> <p>On the rating list at 13/09/2020, the Council had 76,069 properties which converts to 61,427.9 band D properties. This means the average property in North Lincolnshire is either a band B or C property.</p> <p>Properties will continue to be added to the list through the remainder of 2020/21 and during 2021/22. This is assumed in the taxbase, matching income to the timing of property completions.</p>
2	<p>1.6% of the gross property stock are currently eligible for an exemption. There are various exemptions, such as students who do not pay council tax or some charity owned properties. This tends to fluctuate during the year.</p>
3	<p>Single person discount is the most expensive discount for the Council, with 26,376 properties claiming a 25% discount worth roughly £7.6m in total. The number of properties claiming the discount has continued to increase year on year. For context, there were 25,422 single adult person properties in 2018.</p> <p>This represents a large cost which is increasing year-on-year. On an ongoing basis, the Council will require each household currently in receipt of the discount to confirm that they remain eligible for the discount.</p> <p>The Council will also utilise tools to identify instances where it appears multiple potentially liable adults are living at a property in receipt of single person discount. The overarching aim is to ensure households are paying their fair share towards the much-valued services provided and enabled by the Council.</p>
4	<p>Council tax support helps pensioner and working age households to varying extents. The number of pensioners in receipt of council tax support continues to naturally reduce year-on-year, with a further reduction forecast in 2021/22.</p>
5	<p>The number of working age households in receipt of council tax support is roughly the same as it was last year, despite the impact of Covid-19. It is envisaged that the number of claimants will increase in 2021/22 – linked to employment forecasts – and this is reflected in a higher non-collection estimate (see point 7) which has the same effect on the taxbase.</p>
6	<p>The Council introduced an empty property premium two years ago for properties empty for longer than two years, designed to increase the incentive for property owners to resolve their properties' long-term empty status.</p> <p>The number of properties empty for more than two years has increased year on year, which means the package of measures need to be reviewed so that the Council works towards success in this aim. It remains in the interest of the Council to increase the number of occupied properties in North Lincolnshire.</p>
7	<p>The percentage collected in year has been marginally and incrementally reducing year on year, which reflects; increased council tax rates, changed CTSS contribution levels required for working age households and the interrelation with national benefits.</p> <p>This shift means the Council must collect increasing liabilities after the year-end, as it sets a budget on the long-run collection rate it expects to achieve. For 2017/18 debt, 96.2% was collected in the financial year, with 98.5% collected by August 2020.</p> <p>Covid-19 presents a new challenge for households, with impacts to health, jobs, and incomes. Last year, the Council set a long-term collection target of 98.1%. This year, it has been reduced to 97.4% and reflects the significant and inherent uncertainty.</p>

COUNCIL TAX BASE BY PARISH 2021/22

Appendix 3

Parish/Town or Area	Tax Base after discounts	Allowance for Non-Collection	MOD Properties	Tax Base 2021/22
Alkborough	167.9	(4.4)		163.5
Amcotts	79.2	(2.1)		77.1
Appleby	236.2	(6.1)		230.1
Ashby Parkland	246.5	(6.4)		240.1
Barnetby le Wold	552.1	(14.4)		537.7
Barrow on Humber	1,060.3	(27.6)		1,032.7
Barton on Humber	3,742.0	(97.3)		3,644.7
Belton	1,205.0	(31.3)		1,173.7
Bonby	195.2	(5.1)		190.1
Bottesford	3,680.4	(95.7)		3,584.7
Brigg	1,747.1	(45.4)		1,701.7
Broughton	1,675.8	(43.6)		1,632.2
Burringham	220.7	(5.7)		215.0
Burton Stather	981.9	(25.5)		956.4
Cadney cum Howsham	154.5	(4.0)		150.5
Crowle	1,591.5	(41.4)		1,550.1
East Butterwick	43.3	(1.1)		42.2
East Halton	208.8	(5.4)		203.4
Eastoft	146.2	(3.8)		142.4
Elsham	173.7	(4.5)		169.2
Epworth	1,608.1	(41.8)		1,566.3
Flixborough	538.8	(14.0)		524.8
Garthorpe & Fockerby	141.7	(3.7)		138.0
Goxhill	823.9	(21.4)		802.5
Gunness	650.8	(16.9)		633.9
Haxey	1,713.8	(44.6)		1,669.2
Hibaldstow	812.3	(21.1)		791.2
Horkstow	60.0	(1.6)		58.4
Keadby with Althorpe	502.3	(13.1)		489.2
Kirmington & Croxton	132.0	(3.4)		128.6
Kirton Lindsey	1,095.9	(28.5)	12.0	1,079.4
Luddington & Haldenby	122.9	(3.2)		119.7
Manton	43.6	(1.1)		42.5
Melton Ross	73.9	(1.9)		72.0
Messingham	1,362.8	(35.4)		1,327.4
New Holland	255.4	(6.6)		248.8
North Killingholme	92.4	(2.4)		90.0
Owston Ferry	468.1	(12.2)		455.9
Redbourne	161.2	(4.2)		157.0
Roxby cum Risby	159.0	(4.1)		154.9
Saxby all Saints	90.9	(2.4)		88.5
Scawby cum Sturton	814.2	(21.2)		793.0
Scunthorpe	16,583.4	(431.2)		16,152.2
South Ferriby	217.2	(5.6)		211.6
South Killingholme	314.0	(8.2)		305.8
Thornton Curtis	103.1	(2.7)		100.4
Ulceby	565.9	(14.7)		551.2
West Butterwick	283.4	(7.4)		276.0
West Halton	118.2	(3.1)		115.1
Whitton	88.3	(2.3)		86.0
Winteringham	343.1	(8.9)		334.2
Winterton	1,395.2	(36.3)		1,358.9
Wootton	184.5	(4.8)		179.7
Worlaby	208.0	(5.4)		202.6
Wrawby	527.5	(13.7)		513.8
Wroot	189.0	(4.9)		184.1
Tax Base 2021/22	50,953.1	(1,324.8)	12.0	49,640.3