



## Report to Cabinet

<b>Date:</b>	<b>5<sup>th</sup> January 2021</b>
<b>Title:</b>	<b>Council Tax Base Setting 2021/22</b>
<b>Relevant councillor(s):</b>	Martin Tett, Leader
<b>Author and/or contact officer:</b>	<b>Ryan Savage, Finance</b> <b>Richard Ambrose, S151 Officer</b>
<b>Wards affected:</b>	<b>All</b>
<b>Recommendations:</b>	<b>Approve that the Buckinghamshire Council's tax base for the year 2021/22 is 222,433.04.</b> <b>The Buckinghamshire Council's collection rate for the year 2020/21 is 98.1%.</b>
<b>Reason for decision:</b>	<b>It is a requirement to set the Council Tax Base as at 30<sup>th</sup> November and inform the other Preceptors.</b>

### **1. Executive summary**

- 1.1 In 2021/22, the tax base for the year is 222,433.04, which is 0.7% lower than 2020/21.
- 1.2 In 2021/22, the forecasted revenue from Council Tax for Buckinghamshire Council is £357.544M, a 3.3% increase year on year.
- 1.3 The increase in revenue from last year (£11.3M) arises from:
  - a) Increasing Council Tax by 3.99%; this will provide £13.72M additional revenue;
  - b) Reducing the collection rate from 98.5% to 98.1%; this will reduce revenue by £1.37M;
  - c) Increased cost of Council Tax Reduction Scheme; this will reduce revenue by £3.638M;
  - d) Increase from new housing raises: £2.596M.

## **2. Content of report**

### **2.1 Background**

- a) The Local Authorities Calculation of Council Tax Base (England) Regulations 2012 prescribe rules for the calculation of the Council Tax Base.
- b) On an annual basis, all local authorities are required to calculate a Council Tax Base which is used to set the level of Council Tax. The process is governed by the Local Authorities' (Calculation of Tax Base) Regulations 1992.

### **2.2 Methodology**

- a) The tax base is set having regard to:
  - i. The Valuation List;
  - ii. Current exemptions, reductions and discounts;
  - iii. Discretionary discounts;
  - iv. Anticipated developments that may occur during the year;
  - v. Expected long term collection rate;
  - vi. Local discounts and premiums arising from the Council Tax Support Scheme.

### **2.3 The basic methodology for calculating the tax base is as follows:**

- a) Calculations are made of the 'relevant amount' for the year in respect of the valuation bands shown in the Council's Valuation List as at the end of November. For each band, this amount represents the estimated full year equivalent number of chargeable dwellings listed in the band after taking into account the impact of disabled band reductions and discounts.
- b) The 'relevant amounts' for each band are then aggregated and expressed as an equivalent number of band D dwellings.
- c) The Council then multiplies this aggregate of all relevant amounts by the estimated collection rate for the year. The resulting figure is the Council Tax Base for the year
- d) The rules for calculating the Council Tax Base for any part of a Council's area (e.g. a parish, or that part of its area to which a levy or special levy relates) are the same as the rules for calculating the Council Tax Base for the whole of its area for that year, and the same estimated collection rate must be used.

**2.4** Local discounts and premiums arising from the Council Tax Support Scheme and Council Tax Reforms brought in from 1 April 2014 have been taken into account in the tax base calculation. The calculation is based on the current position in terms of numbers on the Council Tax Reduction Scheme (CTR). An increase of CTR at 10% would equate to a further loss in receipts of £2.3M.

**2.5** The result of this calculation for each band and each part of the area is then scaled to a Band D equivalent by reference to the ratios laid down in Section 5 of the 1992 Act and summarised below.

Band	A	B	C	D	E	F	G	H
Weighting	6/9	7/9	8/9	1	11/9	13/9	15/9	2

- 2.6 The estimate of the collection rate is the main area over which the Council has any discretion. The second recommendation seeks approval for an estimated collection rate of 98.1% which has been estimated by reference to past experience of Council Tax collection, including the 2007 Financial Crisis and current observable conditions. A 1% reduction in the collection rate would equate to a further loss in receipts of £3.5M.
- 2.7 Collection rates will be monitored, and any adjustments will be reflected in the calculation of the 2022/23 surplus or deficit.
- 2.8 The tax base for 2020/21 was 223,990.02, whereas the estimated tax base for 2021/22 is 222,433.04. This represents a decrease of 1,566.98 Band D equivalent properties, or 0.7% on the tax base. The vast majority of the decrease is the result of an increase in the Council Tax Reduction Scheme (CTR). CTR increased by 2400 Band D equivalents or 19.0% from the previous year.
- 2.9 Council Tax Revenue Forecast
- a) In 2021/22, the forecasted revenue from Council Tax for Buckinghamshire Council is £357.544M, a 3.3% increase year on year. The growth in revenue arises from the following factors:
    - i. Increase in Council Tax rises of £13.72M; this assumes Council Tax will increase by 1.99% and the Adult Social Care Precept will increase by 2%;
    - ii. Reduction in the collection rate costs £1.37M. The rate recommended is 98.1% from 98.5%;
    - iii. Increased cost of Council Tax Reduction Scheme £3.638M;
    - iv. Increase from new housing raises: £2.596M.
- 2.10 A council tax freeze would result in council tax receipts of £343.826M. This is a reduction of £13.72M compared to a council tax rise of 3.99%.

### **3. Other options considered**

- 3.1 As stated in para 2.6, the Council has discretion over setting the collection rate. Setting a higher rate would increase revenue. Any potential deficit created by the collection rate falling below the rate would have to be managed in future years. Changing the assumption around the collection rate from 98.1% to 97% would reduce revenue receipts by c£4m. This would also impact on the receipts of preceptors.

## 4. Legal and financial implications

### 4.1 Key Financial Risks

<u>Demand for Housing</u>		
<u>Description</u>	<u>Key Indicators</u>	<u>Mitigation</u>
Inflation without growth, increasing building costs, financial regulation, and mortgage availability	<ul style="list-style-type: none"><li>• Inventory of House builders' unsold homes</li><li>• Weak wage growth</li><li>• Unemployment %</li></ul>	Monitoring House builder performance; adjust growth forecasts
<u>Supply of Housing</u>		
<u>Description</u>	<u>Key Indicators</u>	<u>Mitigation</u>
Increasing building costs, lack of industry skills and capacity, changes to regulations and taxes; for example stamp duty on Buy to Let purchases.	<ul style="list-style-type: none"><li>• New government initiatives</li><li>• Build cost inflation</li></ul>	Monitoring inflation; adjust growth forecasts
<u>Credit Risk</u>		
<u>Description</u>	<u>Key Indicators</u>	<u>Mitigation</u>
Default of debt owed by taxpayer.	<ul style="list-style-type: none"><li>• Debtor days' ratio</li><li>• Lifetime credit losses</li><li>• Aging profile</li></ul>	Adjust collection rate in future period.

## 5. Consultation with local councillors & community boards

5.1 Not applicable.

## 6. Communication, engagement & further consultation

6.1 The provisional tax base was provided to other preceptors (e.g. parishes) on the 1<sup>st</sup> December. This will be confirmed following Cabinet approval.

## 7. Next steps and review

7.1 The Council Tax Base will be confirmed to other preceptors following Cabinet approval.

## 8. Background papers

8.1 Appendix 1: Council Tax Base of each of the parts of the new Buckinghamshire Council.

8.2 Appendix 2: Historical Council Tax data.