

Birmingham City Council

Report to Cabinet

19TH JANUARY 2021



Subject: Council Tax Tax-base for 2021/22
Report of: Interim Chief Finance Officer
Relevant Cabinet Member: Cllr Tristan Chatfield – Cabinet Member for Finance and Resources & Cllr Brigid Jones – Deputy Leader
Relevant O &S Chair(s): Councillor Sir Albert Bore
Report author: Jing Wang, Senior Business Analyst

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 008157/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report seeks approval to the Council Tax base for 2021/22 for the City Council, New Frankley in Birmingham Parish Council and Royal Sutton Coldfield Town Council. This forms an important part of the calculation of next financial year's income from Council Tax.
- 1.2 The report sets out the basis of the calculation and the assumptions which have been included.

2 Recommendations

That the Cabinet:-

- 2.1 Approves the implementation of a change permitted by legislation as stated in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, that allows the Council to charge a premium on long term empty properties, that have been empty for ten years or longer, of 300% of Council Tax from 1st April 2021. This follows on from the implementation of a 200% premium on long term empty properties over 5 years that was approved in the 2020/21 Tax Base report.
- 2.2 Approves a Council Tax base for Birmingham of 253,995 Band D equivalent properties, for 2021/22, as calculated in Appendix 2, in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 2.3 Approves a Council Tax base for the New Frankley in Birmingham Parish Council of 1,319 Band D equivalent properties for 2021/22, as calculated in Appendix 3.
- 2.4 Approves a Council Tax base for the Royal Sutton Coldfield Town Council of 36,636 Band D equivalent properties for 2021/22, as calculated in Appendix 4.
- 2.5 Notes that there are no changes to the current Council Tax Support Scheme in 2021/22.

3 Background

- 3.1 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, requires local authorities to determine their tax base for Council Tax setting purposes before 31 January each year. This means that billing authorities, like Birmingham, must calculate the number of properties where Council Tax is payable and inform other precept bodies (in our case the West Midlands Police & Crime Commissioner, the Fire and Rescue Authority, New Frankley in Birmingham Parish and Royal Sutton Coldfield Town Councils) and other levying bodies, by 31 January, of this figure for precept/levying purposes.
- 3.2 The City Council is required to determine the tax base for tax setting purposes for 2021/22. The calculation in this report is based upon the valuation list as at November 2020 and takes into account forecasts of discounts, exemptions and other changes likely to affect the number of properties on which full Council Tax will be payable and is inclusive of those changes which are predicted to happen by the end of 2021/22 e.g. successful appeals against valuation bands. Details of these factors are included within Appendix 1.
- 3.3 There has been a net increase of 5,190 (1.2%) in the total number of domestic properties in the past year to November 2020, compared with an increase of 3,689 (0.8%) during the previous 12-month period. The table in Appendix 1 shows the number of properties by band in Birmingham as at November 2020 and highlights the changes since November 2019. The valuation list shows that 82.5% of all domestic properties in Birmingham have been allocated to “below average value” categories (i.e. Bands A-C), a marginal reduction from last year

(82.6%), indicating that there has been minimal overall change in the average banding of properties.

- 3.4 The final part of the calculation is the application of the anticipated tax collection rate. A budgeted eventual composite collection rate of 97.1% was approved for 2020/21. This consisted of an assumed collection rate of 98% for the majority of taxpayers but lower rates for those in receipt of Council Tax Support (CTS) discounts, (in accordance with previous decisions).
- 3.5 As a result of the Covid 19 pandemic and the economic uncertainty due to Brexit it has been recognised that the collection rate in 2021/22 may not remain at the same level comparing to previous years. Therefore, it is recommended that collection rate for 2021/22 is adjusted to 96.6% which is 0.5% lower than 2020/21 (97.1%). On this basis, the tax base for setting Council Tax for 2021/22 will be 253,995 Band D equivalent properties. However, whilst being prudent in its planning assumptions, the Council will seek to maximise the rate of collection. In the event that collection performance exceeds the assumed rate, the resultant surplus will become available to be taken into account in setting future years' budgets and should this collection rate not be achieved the resulting deficit will be reflected in future budget setting.
- 3.6 Before taking account of allowances for non-collection, the 2021/22 Council Tax base is an increase of 676 (0.3%) Band D equivalent properties from 2020/21. The main reasons for this are net increases of 3,069 (1.2%) for new Band D equivalent properties forecast for the period up to 31st March 2022.
- 3.7 These have been offset by a reduction of 1,906 Band D equivalent properties (0.7%) due to increases in single person and student discount awards, exemptions relating, mainly, to students, plus a reduction of 486 Band D equivalent properties (0.2%) primarily due to the expected increase in the level of Council Tax Support (CTS) discounts to be awarded. These have been set out in the table below.

Summary of adjustment to the tax base for Band D Equivalent	2021/22	2020/21	Movement
Net increase in No. of properties	376,076	373,007	3,069
Exemptions and Discounts	(49,794)	(47,888)	(1,906)
CTS and Other	(63,346)	(62,860)	(486)
Gross Tax Base	262,936	(262,260)	(676)

- 3.8 The Government published on 18th December 2020 indicative allocations and a methodology note for a Local Council Tax Support grant. Out of the £670m national total the Council's indicative allocation is £14.5m. Proposals will be developed in due course.

- 3.9 Cabinet is asked to approve the tax base for Birmingham of 253,995 Band D equivalent properties. Once formally determined, this tax base cannot subsequently be altered, and will be used when the City Council sets the Council Tax for 2021/22.
- 3.10 Cabinet is asked to approve the tax base for the New Frankley in Birmingham Parish Council which, after applying the collection rate described above, produces a tax base figure of 1,319 Band D equivalent properties. This is an decrease of 47 on the Band D equivalent properties for 20/21.
- 3.11 Cabinet is asked to approve the tax base for the Royal Sutton Coldfield Town Council which, after applying the collection rate described above, produces a tax base figure of 36,636 Band D equivalent properties. This is an decrease of 465 on the Band D equivalent properties for 2020/21.

4 Options considered and Recommended Proposal

- 4.1 Not Applicable

5 Consultation

- 5.1 Officers in the Digital and Customer Services and Inclusive Growth Directorates have been consulted in determining the Council Tax Base. The Assistant Director – Revenues and Benefits has been consulted in the preparation of this report.
- 5.2 No public consultation is required on the Council Tax base. It is a statement of fact supplemented by the City Council's forecast of likely changes to the tax base in 2021/22.

6 Risk Management

- 6.1 The setting of the Council's budget which includes the setting of the Council Tax Base, as set out in this report, is part of the Council's arrangements for the management of financial issues.

7 Compliance Issues:

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

7.1.1 The completion of the Council Tax base does not have any direct implications for the City Council's Corporate Policy Priorities other than the fact that the further change in Empty Property Premiums is anticipated to bring long term empty properties back into use in order to supplement additional housing provision in the City.

7.2 Legal Implications

7.2.1 The Council is required to set the tax base under the Local Government Finance Act 1992. The tax base is a factor in the determination of the

planned level of Council Tax income which can be collected next year. The Local Government Act 2003 removed the requirement for this to be a matter reserved for approval by Full Council.

7.3 Financial Implications

7.3.1 The Council Tax base in conjunction with the Council Tax level (to be approved at the Council meeting on the 23th February 2021) will determine the total income from Council Tax in 2020/21 to be included in the approved budget for next year.

7.4 Procurement Implications (if required)

7.4.1 Not Applicable

7.5 Human Resources Implications (if required)

7.5.1 Not Applicable

7.6 Public Sector Equality Duty

7.6.1 There are no specific Equality Duty or Equality Analysis issues relating to the proposals set out in this report.

8 Background Documents

8.1 Calculation of Council Tax Base (CTB October 2020) from (Ministry for Housing, Communities and Local Government - MHCLG)

8.2 Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 - <http://www.legislation.gov.uk/ukpga/2018/25/section/2/enacted>

Further details of the Council Tax base Calculation

The calculation of the tax base for 2021/22 commences with the total number of properties on Valuation Office Agency (VOA) valuation list at November 2020, as follows:

Band	2021/22				2020/21		Annual Movement	
	No. Properties 2020/21	Proportion in Band %	Cumulative Proportion %	No. Band D Equivalent	No. Properties 2019/20	No. Band D Equivalent	No. Properties	No. Band D Equivalent
A	160,941	35.7%	35.7%	107,295	158,491	105,661	2,450	1,634
B	130,457	28.9%	64.6%	101,467	129,219	100,504	1,238	963
C	80,691	17.9%	82.5%	71,725	78,355	69,649	2,336	2,076
D	41,635	9.2%	91.7%	41,635	39,696	39,696	1,939	1,939
E	21,818	4.8%	96.5%	26,666	21,089	25,775	729	891
F	8,931	2.0%	98.5%	12,900	8,834	12,760	97	140
G	5,897	1.3%	99.8%	9,828	5,825	9,708	72	120
H	896	0.2%	100.0%	1,792	878	1,756	18	36
Total	451,266	100.0%		373,308	442,387	365,509	8,879	7,799

The following additional factors, calculated for each of the property bands (A to H), have been included in the Tax Base calculation:

- An estimate of the number of properties which will be exempt from Council Tax;
- An estimate of the number of properties that will be reallocated to a lower tax band under the “disabled relief” scheme;
- An estimate of the number of appeals against valuation that are likely to succeed;
- An estimate of the number of new properties which will become liable for tax before 1 April 2022, together with any properties which will cease to be liable - and the proportion of the year for which that liability is likely to exist;
- An estimate of the number of properties for which discounts will apply, and the number of discounts for each property. This includes the Council Tax Support Scheme which includes a discount of up to 80%. The number of Council Tax Support recipients has been assumed to decrease by 541 Band D equivalents compared with the budgeted figure for 2020/21. This takes account of an assessment of the expected number and level of Council Tax Support discounts, drawing on experience of discounts awarded in 2020/21 and previous years.
- An estimate of the number of properties which will be classed as long-term empty (empty for over 2 years), attracting a premium of 100%; and an estimate for those that remain empty for at least 5 years, attracting a premium of 200% from April 2020; and further estimate for those that remain empty for at least 10 years, attracting a premium of 300% from April 2021.

The calculations for the assumptions above are set out in Appendix 2 to this report. The information for New Frankley in Birmingham Parish Council is shown in Appendix 3 and for Royal Sutton Coldfield Town Council Appendix 4. These also show how the number of taxable properties in each band must be adjusted to arrive at an equivalent number of “Band D” properties, as required by legislation.

Council Tax Base - Birmingham 2021/22

Property Band		Band AR	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total	Band D Equivalent
											Properties	Properties
i)	Dwellings on valuation list	0	160,941	130,457	80,691	41,635	21,818	8,931	5,897	896	451,266	373,308
ii)	Estimated Exemptions	0	(8,103)	(5,273)	(3,370)	(3,419)	(1,304)	(173)	(95)	(30)	(21,766)	(17,979)
iii)	Net adjustment in respect of estimated disabled relief	266	299	(77)	(175)	(132)	(83)	(20)	(34)	(44)	0	(275)
iv)	Net adjustment in respect of estimated successful appeals and other adjustments	0	(501)	(542)	(314)	(163)	(79)	(21)	(13)	(2)	(1,637)	(1,353)
v)	Net adjustment in respect of estimated new properties	0	1,194	975	596	305	159	67	44	7	3,348	2,768
	No. of chargeable dwellings	266	153,831	125,540	77,428	38,226	20,512	8,783	5,799	826	431,211	356,469
vi)	Total no. of discounts (including Council Tax Support)	(103)	(65,618)	(35,442)	(15,132)	(5,097)	(1,789)	(587)	(307)	(34)	(168,275)	(93,533)
	Equivalent no. of chargeable dwellings net of discounts	163	88,213	90,098	62,296	33,129	18,722	8,196	5,491	792	262,936	262,936
	Statutory proportion	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		
	Equivalent Band D properties (the "Relevant Amounts")	90	58,809	70,076	55,374	33,129	22,883	11,839	9,152	1,584	TOTAL =	262,936
	ALLOWANCE FOR NON-COLLECTION (3.4%)	(3)	(2,000)	(2,383)	(1,883)	(1,126)	(778)	(403)	(311)	(54)	TOTAL =	(8,941)
	TOTAL	87	56,809	67,693	53,491	32,003	22,105	11,436	8,841	1,530	TOTAL =	253,995

Council Tax Base - New Frankley in Birmingham Parish Council 2021/22

											Total	Band D Equivalent
Property Band		Band AR	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Properties	Properties
i)	Dwellings on valuation list	0	1,559	1,591	103	58	1	0	0	1	3,313	2,430
ii)	Estimated Exemptions	0	(17)	(10)	(1)	0	0	0	0	0	(28)	(20)
iii)	Net adjustment in respect of estimated disabled relief	3	3	(5)	(1)	0	0	0	0	0	0	(1)
iv)	No. of chargeable dwellings	3	1,545	1,576	101	58	1	0	0	1	3,285	2,409
v)	Total no. of discounts (including Council Tax Support)	(2)	(864)	(576)	(16)	(5)	0	0	0	0	(1,461)	(1,044)
	Equivalent no. of chargeable dwellings net of discounts	1	681	1,000	85	53	1	0	0	1	1,824	1,365
	Statutory proportion	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		
	Equivalent Band D properties (the "Relevant Amounts")	1	454	778	76	53	1	0	0	2	TOTAL =	1,365
	ALLOWANCE FOR NON-COLLECTION 3.4%	0	(15)	(26)	(3)	(2)	0	0	0	0	TOTAL =	(46)
	TOTAL	1	439	752	73	51	1	0	0	2	TOTAL =	1,319

Council Tax Base - Sutton Coldfield Town Council 2021/22

Property Band		Band AR	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total	Band D Equivalent
											Properties	Properties
i)	Dwellings on valuation list	0	3,301	5,538	7,641	9,480	8,627	4,167	2,596	388	41,738	44,447
ii)	Estimated Exemptions	0	(86)	(86)	(115)	(149)	(97)	(37)	(11)	(2)	(583)	(570)
iii)	Net adjustment in respect of estimated disabled relief	1	17	17	12	26	(32)	(12)	(18)	(11)	0	(47)
iv)	No. of chargeable dwellings	1	3,232	5,469	7,538	9,357	8,498	4,118	2,567	375	41,155	43,830
v)	Total no. of discounts (including Council Tax Support)	(1)	(1,630)	(1,555)	(1,314)	(1,061)	(648)	(247)	(120)	(15)	(6,592)	(5,905)
	Equivalent no. of chargeable dwellings net of discounts	0	1,602	3,914	6,224	8,296	7,850	3,871	2,447	360	34,563	37,925
	Statutory proportion	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		
	Equivalent Band D properties (the "Relevant Amounts")	-	1,068	3,044	5,532	8,296	9,595	5,592	4,078	720	TOTAL =	37,925
	ALLOWANCE FOR NON-COLLECTION 3.4%	0	(36)	(104)	(188)	(282)	(326)	(190)	(139)	(24)	TOTAL =	(1,289)
	TOTAL	0	1,032	2,940	5,344	8,014	9,269	5,402	3,939	696	TOTAL =	36,636