

Meeting date: 12 January 2021
Report to: Cabinet Member for Resources



Subject/report title: Council Tax Base 2021/22
Report from: The Director of Resources and Deputy Chief Executive
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Wards affected:

All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

1.1 The purpose of this report is to recommend a council tax base for Solihull and parish areas within Solihull for the financial year 2021/22.

2. Decision(s) recommended

2.1 To approve the assumed collection rate of 98.81% as explained in paragraph 4.6.

2.2 To approve the council tax base for Solihull and the parish areas within Solihull for the year 2021/22 as shown in the table in paragraph 4.9.

2.3 To approve the award of grant funding totalling £19,000 to those parish councils which have experienced an increase in the number of dwellings in receipt of council tax support, as outlined in paragraph 4.10.

3. Matters for Consideration

3.1 The council tax base represents the estimated number of houses eligible to pay council tax ("chargeable dwellings") in the borough, expressed as a number of Band D equivalent properties.

3.2 The number of chargeable dwellings takes into account households where none of the

occupants are required to pay council tax (e.g. those occupied only by students) and those where the occupants are entitled to discounts/reduced bills, for example because they live alone or because they receive support under the council tax reduction scheme. It is then converted to a number of Band D equivalent properties to represent the Council's tax base, which is adjusted to take account of the estimated collection rate. Once approved, the net tax base is built into the Council's Medium Term Financial Strategy (MTFS) and determines the level of council tax funding available to the Council over this period.

3.3 The tax base must be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 and must be determined between 1 December and 31 January for the following financial year.

4. What options have been considered and what is the evidence telling us about them?

4.1 For 2021/22, the total tax base is derived by taking the Council's valuation list issued by the Valuation Office Agency as at 30 November 2020. This is then adjusted for the effect of discounts, exemptions and premiums as at the same date and any new properties that have been built but have not yet been assessed by the Valuation Office Agency.

4.2 The tax base is also reduced to reflect households in receipt of council tax reduction (CTR) as at 30 November 2020, which are treated in the tax base as partly or wholly exempt from council tax. This has reduced the gross tax base by 7,693 Band D equivalent dwellings (7,057 in 2020/21). This reflects the increase in the working age CTR caseload seen as a result of Covid-19, as reported to Cabinet in November.

4.3 The above calculation results in a gross tax base for 2021/22 of 78,120 Band D equivalent dwellings (compared to a gross tax base of 78,500 Band D equivalent dwellings in 2020/21).

4.4 The Council's performance on council tax collection has consistently been in the region of 99% since 1997/98, when taking into account income collected after the year end.

4.5 A collection rate of 98.81% was assumed in both 2019/20 and 2020/21, based on combined collection rates of 80% for the element of the tax base relating to the council tax reduction scheme and 99% for the remainder of the tax base. The collection rate for 2019/20 as at 30 November 2020 is 98.62%, which is slightly below the assumed level, partly as a result of the Council's decision not to issue any payment reminder notices from March 2020 to July 2020.

4.6 If the final collection rate was lower than the assumed level, this would result in a deficit that would need to be funded in the MTFS. However, if this was due to the impact of Covid-19, the government may make funding available to cover this, or alternatively, this could be funded from the Budget Strategy Reserve. It is therefore recommended that the assumed collection rate be maintained at 98.81% for 2021/22.

4.7 The gross tax base multiplied by the collection rate of 98.81% gives a net council tax base for 2021/22 for Solihull of 77,190 Band D equivalent dwellings, compared with

77,566 Band D equivalent dwellings in the current year, a decrease of 376 Band D equivalent dwellings.

4.8 This decrease is due to a number of factors:

- An increase in the anticipated numbers of dwellings in receipt of council tax reduction, resulting in a decrease in the tax base of 636 Band D equivalents;
- An increase in the total number of chargeable dwellings in the borough of 233 Band D equivalents;
- An increase in the empty homes premium which has increased the tax base by 27 Band D equivalents. This includes the increase from a 200% premium to a 300% premium for properties empty for ten years or more. This is in line with the Council's Empty Property Premium Policy, which was approved by Full Council on 28 February 2019;

4.9 The council tax base for Solihull and parish areas for 2021/22 calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 is summarised below:

	Number of Band D equivalent dwellings
Solihull (whole area)	77,190
of which the council tax base for specific parish areas is:	
Balsall	2,840
Barston	295
Berkswell	1,533
Bickenhill and Marston Green	2,454
Castle Bromwich	3,872
Chadwick End	343
Chelmsley Wood	2,832
Cheswick Green	1,295
Dickens Heath	2,214
Fordbridge	1,778
Hampton-in-Arden	1,386
Hockley Heath	806
Kingshurst	1,963
Meriden	1,261
Smith's Wood	2,170
Tidbury Green	741

4.10 The increase in the number of dwellings in receipt of council tax reduction referred to in paragraph 4.8 above has reduced the tax base for a number of parishes, particularly those in the north of the borough. At the Spending Review in November 2020, the government confirmed its intention to provide funding to local authorities to mitigate irrecoverable council tax losses, which it is anticipated will include an element

relating to parish councils' share of these losses. It is therefore proposed to set aside part of the funding received to provide a grant to compensate parish councils for the increase in the council tax reduction scheme caseload, at a cost of £19,000.

5. Reasons for recommending preferred option

5.1 The Council has a statutory obligation to set the council tax base in accordance with legislation, as detailed in paragraph 3.3.

6. Implications and Considerations

6.1 How the proposals in this report contribute to the delivery of Council Plan priorities:

Priority:	Contribution:
Economy: 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social housing.	The calculation of the tax base reflects the increase in housing since December 2019.
Environment: 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions.	None
People and Communities: 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs.	None

6.2 Consultation and Scrutiny:

6.2.1 Not applicable, as it is a statutory requirement to set the council tax base according to the legislation detailed in paragraph 3.3.

6.3 Financial implications:

6.3.1 The council tax base will be used in determining the council tax for Solihull and precepting bodies in 2021/22. An authority's council tax requirement is calculated as

its budgeted spend, less other funding sources, and this figure is divided by the tax base to produce the council tax charge at Band D.

- 6.3.2 The net tax base of 77,190 represents a decrease of 1,358 Band D equivalent properties compared to the tax base originally assumed in the approved MTFS for 2021/22 of 78,548. Based on the assumed council tax increase of 2.99% in the approved MTFS, this represents a pressure of £1.973 million which will be built into the updated MTFS. An assumed pressure of £1.969 million has already been taken into account through the budget process and is reflected in the draft budget proposals being reported to scrutiny boards in January 2021.
- 6.3.3 As outlined at paragraph 4.10 above, it is recommended that the Council award a grant to those parish councils which have experienced an increase in the number of dwellings anticipated to receive local council tax support. The cost of £19,000 will be funded from government grant.

6.4 Legal implications:

- 6.4.1 None, as the calculation of the tax base is as required by the relevant legislation, detailed in paragraph 3.3.

6.5 Risk implications:

- 6.5.1 As detailed in paragraphs 3.1 and 3.2, the council tax base underpins the level of council tax funding that is built into the council's MTFS. If the council tax base is set too high, then there is a risk that the amount of council tax collected is less than that assumed for funding purposes, which would lead to a deficit on the Collection Fund. Any deficit would have to be funded in the update of the Council's MTFS.
- 6.5.2 As highlighted in paragraph 4.6, there is a risk that the collection rate may not be achieved given the current economic climate. If this was to happen, additional funding may be made available from the government, otherwise the deficit would be funded from the Budget Strategy Reserve.

6.6 Equality implications:

- 6.6.1 The calculation of the tax base is as required by the relevant legislation detailed in paragraph 3.3.

7. List of appendices referred to

- 7.1 None

8. Background papers used to compile this report

- 8.1 None

9. List of other relevant documents

- 9.1 Council Tax Charges on Empty Properties Policy
- 9.2 Council Tax Reduction Scheme (CTRS) 2021/22