

Cabinet

16 November 2022

**Council Tax Base 2023/24 and Forecast
Deficit on the Council Tax Collection
Fund as at 31 March 2023**



Key Decision: CORP/R/22/02

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

**Councillor Richard Bell, Deputy Leader and Cabinet Portfolio Holder
for Finance**

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To determine the council's tax base for domestic properties liable to pay council tax, which is an important component in the council's budget setting process for 2023/24 and to report on the estimated collection fund deficit as at 31 March 2023.

Executive summary

- 2 Regulations made under the Local Government Finance Act 1992 requires each billing authority to calculate its 'council tax base' for the following financial year.
- 3 The council tax base is a measure of the county council's 'taxable capacity', for the purpose of setting its council tax. Legislation requires the council to set out the formula for that calculation and that the tax base is formally approved by Cabinet.
- 4 In determining the council tax base for 2023/24 the following issues must be factored into the calculation:
 - (a) The impact of exemptions and discounts being applied to properties within County Durham;
 - (b) Forecast impact on the tax base as a result of changes in the incidence of Local Council Tax Reduction Scheme (LCTRS)

claims, which is a discount rather than a benefit payment and therefore reduces the tax base;

- (c) Forecast impact on the tax base as a result of the changes made to the Long-Term Empty (LTE) property council tax premium, offset by estimated impact of the section 13A(1)(c) policy;
 - (d) Forecast impact on the tax base as a result of growth (i.e. new build) or reductions (e.g. demolitions or increases in the incidence of other council tax discounts and exemptions) for 2023/24; and
 - (e) Provision for non-collection of council tax due to bad debts that need to be written off.
- 5 New house building has continued and there is a steady stream of new properties being added to the rating list, which is expected to continue into 2023/24.
- 6 Taking these matters into account the council tax base for the financial year 2023/24, based on the current position and prudent assumptions around the incidence of discounts and exemptions across the coming eighteen months plus prospects for new builds, has been calculated to be 145,675.9 band D equivalent properties, an increase of 1,980.10 (1.38%) on the council tax base for 2022/23.
- 7 In previous years the council has declared its council tax collection fund position for budget setting purposes based on the quarter two Collection Fund forecast and informed the two principal precepting bodies to the Collection Fund - County Durham and Darlington Fire and Rescue Authority and Durham Police, Crime and Victims' Commissioner – of the figures they will need to take into account next year.
- 8 As at 30 September 2022 the in-year position for the council tax collection fund is a forecast £0.211 million surplus. After taking into account the brought forward share of the 2022/23 deficit, the 2022/23 council tax collection fund is forecast to have a deficit of £2.378 million at 31 March 2023. Durham County Council's share of this deficit would be £2.001 million. The council will not however be declaring a final forecast outturn position for the council tax collection fund until later in the year, though the quarter two figures will be shared.

Recommendation(s)

9 Cabinet is recommended to:

- (a) approve the council tax base for the financial year 2023/24 for the county, which has been calculated to be 145,675.9 band D equivalent properties;
- (b) note the impact on individual Town and Parish council tax bases and the Local Council Tax Reduction Scheme grant allocations for the financial year 2023/24;
- (c) note the forecasted council tax Collection Fund position at 31 March 2023, which will be updated and formally declared in January.

Background

- 10 Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of council tax base) Regulations 1992 (as amended)) require each billing authority to calculate its 'council tax base' for the following financial year.
- 11 The Local Authorities (Calculation of council tax base) (England) Regulations 2012 (SI 2012:2914) provides amended statutory guidance to incorporate the changes as a result of the introduction of Local Council Tax Reduction Schemes (LCTRS's) from 1 April 2013.
- 12 The council tax base is a measure of the county council's 'taxable capacity', for the purpose of setting its council tax. Legislation requires the council to set out the formula for that calculation and that the tax base is formally approved by cabinet.
- 13 Section 84 of the Local Government Act 2003 enables authorities to set their council tax base, other than by a decision of the full council, therefore, allowing cabinet to take the necessary decisions to determine the council tax base for 2023/24.
- 14 On 19 October 2022, County Council approved the continuation of the current LCTRS into 2022/23, retaining the same level of support to all council taxpayers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013.
- 15 All monies collected from council tax are paid into the collection fund. The council collects monies on behalf of itself, the Police, Crime and Victims' Commissioner, the County Durham and Darlington Fire and Rescue Authority and local Town and Parish Councils in the County. Police and Fire are classified as major precepting bodies under council tax legislation, whereas Town and Parish Councils are classified as local precepting bodies.
- 16 Significant sums pass through the collection fund annually, a process which can result in a surplus or deficit on the fund at the 31 March as the monies billed and collected inevitably vary from those estimated.
- 17 As the billing authority, the council is required on an annual basis, by 15 January, to make a declaration of the estimated collection fund outturn position and identify and apportion any surplus or deficit anticipated for the following financial year between the principal precepting authorities making a precept on the fund so that they can factor this into the budget setting processes. Quarterly updates are reported as part of the budgetary control reports to Cabinet.

Calculating the Tax Base 2023/24

- 18 Appendix 2 shows the number of dwellings in County Durham, allocated across the various council tax bands. As at 3 October 2022 there were 252,105 dwellings registered for council tax in the county, compared to 250,232 at 4 October 2021, a year-on-year increase of 1,873 (0.75%).
- 19 Some of these properties are exempt from council tax (e.g. dwellings occupied solely by students), whilst in single person households only 75% of the tax is payable. Following decisions taken in December 2012, empty properties no longer receive any discount; neither do second homes and Long-Term Empty (LTE) properties currently. From 1 April 2020 empty properties that have been empty for more than two years are currently charged a 100% premium, and those empty for longer than five years are charged a 200% premium
- 20 The number of dwellings, therefore, needs to be adjusted to reflect these discounts and exemptions, giving a net property base (chargeable dwellings) for each council tax band. Council tax for a band A property is 6/9ths of the band D council tax; band B is 7/9ths and band C is 8/9ths. Prior to consideration of the impact of the LCTRS, there are 220,022 chargeable properties in County Durham and 83.2% of these are within bands A to C, with 56.6% of all properties being in band A.
- 21 The council tax levied varies between the different bands according to proportions laid down in legislation. These proportions are based around band D and are fixed so that the bill for a dwelling in band A will be a third of the bill for a dwelling in band H. Applying the relevant proportion to each band's net property base produces the number of 'Band D Equivalent' properties for the area. Prior to consideration of the impact of LCTRS, there are 174,209.9 band D equivalent properties in County Durham – a year on year increase of 1,104.4 (0.04%).
- 22 The proportion of properties in each band varies significantly across the country, impacting on the tax raising capacity of individual local authorities. In England, the latest information available shows there are 65.4% of all properties within bands A to C. In County Durham there is a much higher proportion of properties within bands A to C, at 83.2%. This means County Durham has a much lower tax base than the national average and is therefore unable to generate as much council tax compared to those local authorities with a low proportion of properties within bands A to C. In MTFP terms this means that a 1% council tax increase in Durham raises circa £2.5 million of additional resources for the council but in more affluent areas with high tax bases, a 1% council tax increase can raise in excess of circa £10 million.

- 23 In determining the council tax base for 2023/24, three further issues must be factored into the calculation:
- (a) forecast impact on the tax base as a result of changes in the incidence of LCTRS claims, which is a discount against the council tax and therefore impacts on the tax base;
 - (b) forecast impact on the tax base as a result of growth (i.e. new build or reductions in the incidence of other council tax discounts and exemptions) or reductions (e.g. demolitions or increases in the incidence of other council tax discounts and exemptions) for 2023/24; and
 - (c) provision for non-collection of council tax due to bad debts that need to be written off.
- 24 In 2022/23 the provision for non-collection was 1%, giving a forecast overall collection rate of 99% and it is proposed to retain the same non-collection rate for 2023/24 tax base setting purposes. The provision for non-payment will continue to be kept under review for future years.
- 25 Since 2019/20 the council has built in prudent assumptions for growth in the tax base as a result of new build and net changes in discounts and exemptions over the coming year. Previously, the council had taken an even more cautious approach to tax base setting and had not built in any tax base growth into its tax base calculations. The prudent assumptions in terms of tax base growth year on year helped protect the council's position during the COVID-19 pandemic.
- 26 The 2023/24 calculations again include prudent assumptions for a modest net tax base growth as a result of new builds and net changes in other discounts and exceptions. This does build in an increased element of risk to the collection fund in 2023/24, where tax base growth of 250 band D equivalents dwellings (247.5 @ 99% collection rate) has been included in determining the tax base for next year. This is the same level that was built into the forecasts last year.
- 27 Considering the forecast collection rate, the provision of tax base growth and factoring in the adjustments to the band D equivalent properties as a result of the expected incidence of LCTRS, the band D equivalent tax base is forecasted to be 145,675.9 in 2023/24. This compares to the current 2022/23 tax base figure for the County of 143,695.8 – an increase of 1,980.1 (1.38%) year on year.
- 28 The tax base for the county council will be used by the Police, Crime and Victims' Commissioner and the Durham and Darlington Fire and Rescue Authority to set their council tax precepts for 2023/24, which will

be included in the council tax bills sent to every council taxpayer in the County.

- 29 The Town and Parish (T&P) Councils and the Charter Trust for the City of Durham, council tax bases are set out at Appendix 3 and will be used to calculate T&P Councils and the Charter Trust for the City of Durham precepts in 2023/24. These will also be added to the council tax bills and sent to every council taxpayer in the respective T&P Council areas.
- 30 The council's formula grant includes an element relating to T&P Councils and whilst the council has previously passed the grant on to the T&P Councils, there is no statutory requirement to do so.
- 31 A MTFP(13) update was considered by Cabinet on 12 October 2022. Members will be aware of the financial uncertainties facing the council in terms of future central government financial settlements, the significant inflationary being faced and the unfunded base budget pressures particularly within Children and Young People's service budgets at this time.
- 32 Despite this uncertainty it is proposed to continue to pass on LCTRS grant to T&Ps next year, calculated on the same basis as the current year.
- 33 The LCTRS grant payable next year to the T&P councils is therefore estimated to be £1.508 million. Since 2013 the LCTRS grant payments to T&P Councils has totalled circa £16.2 million.
- 34 Appendix 4 summarises the financial impact on individual T&P councils across the county and the Charter Trust for the City of Durham from the combined effects of the changes to the tax base, and the distribution of LCTRS grant in 2023/24.
- 35 The LCTRS grant payable to individual T&P councils has been allocated proportionate to impact on tax raising capacity brought about by the LCTRS, which was previously agreed as the most appropriate method of distribution with representatives of the County Durham Association of Local Councils as part of the Local Councils Working Group.

Estimated Collection Fund Surplus / Deficit – Council Tax

- 36 The council needs to determine and declare the estimated surplus or deficit on its collection fund at 31 March each year by 15 January.
- 37 The position at the end of quarter two (position to 30 September 2022) shows an in-year position for the council tax collection fund of a forecast £0.211 million surplus. After taking into account the brought forward

share of the 2022/23 deficit, the 2022/23 council tax collection fund is forecast to have a deficit of £2.378 million at 31 March 2023.

- 38 In previous years the council has declared its council tax collection fund position for budget setting purposes based on the quarter two Collection Fund forecast and informed the two principal precepting bodies to the Collection Fund - County Durham and Darlington Fire and Rescue Authority and Durham Police, Crime and Victims' Commissioner – of the figures they will need to take into account next year, which would be as follows:

	Forecast Deficit at 31 March 2023
Durham County Council	£2.001m
Durham Police, Crime & Victims' Commissioner	£0.259m
Durham & Darlington Fire and Rescue Authority	£0.118m
Total	£2.378m

- 39 The council will not be declaring a final forecast outturn position for the council tax collection fund until later in the year, though the quarter two figures will be shared.

Next Steps

- 40 Subject to cabinet consideration of this report, the tax bases will be confirmed. T&P councils will be asked to submit their precept requests by 20 January 2023 to enable these to be incorporated into the 2023/24 budget and council tax setting reports to cabinet and council in February 2022.
- 41 The Police, Crime and Victims' Commissioner and the Durham and Darlington Fire and Rescue Authority will be provided with the updated position in terms of their shares of the estimated deficit on the council tax collection fund and informed that the final forecast position that will be declared later in the year and notifications issued to them prior to 15 January 2023.

Conclusion

- 42 Taking into account the forecast collection rates, the provision of tax base growth, and factoring in the adjustments to the band D equivalent properties as a result of the LCTRS, the band D equivalent tax base is forecasted to be 145,675.9.

- 43 The forecast deficit on the council tax collection fund at 31 March 2023 is estimated to be £2.378 million. Officers will continue to carefully track and monitor the council tax base and collection fund performance over the coming months and the Council will declare the estimated outturn position to be taken into account by the principal precepting authorities later in the year, with notifications issued to the principal precepting bodies in advance of the statutory deadline of 15 January.

Background papers

- Local Authorities (Calculation of council tax base) Regulations 2012 (SI:2012:2914)
- Welfare Reform Act 2012.
- Medium Term Financial Plan (13), 2023/24-2026/27 – report to Cabinet 12 October 2022
- Local Council Tax Reduction Scheme 2023/24 – report to Council 19 October 2022
- Forecast of Revenue and Capital Outturn 22/23: Quarter 2 – report to Cabinet 16 November 2022

Other useful documents

- Local Council Tax Support Scheme, Review of Discretionary Council Tax Discount on Unoccupied Properties & Calculation of Council Tax Base 2013/14 – report to Cabinet 19 December 2012

Authors

Jeff Garfoot

Tel: 03000 261930

Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set its council tax base for the purpose of levying council tax from its council taxpayers in order to raise the required amount of council tax income to balance its 2023/24 revenue budget.

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of council tax base) Regulations 1992 (as amended) set out how the council must calculate a council tax base for each financial year.

The Local Authorities (Calculation of council tax base) (England) Regulations 2012 (SI 2012:2914) which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the council to calculate the council tax base.

Section 84 of the Local Government Act 2003 enables authorities to set their council tax base, other than by a decision of the full council, therefore, allowing Cabinet to take the necessary decisions to determine the council tax base for 2023/24.

A key element of the tax base calculation is the council's policy in terms of its LCTRS and on other discretionary discounts.

There is a statutory requirement for the council to adopt a Local Council Tax Reduction scheme by 11 March each year and on 19 October 2022 Council considered proposals to continue with the current LCTRS into 2023/24, in line with the cabinet recommendations on 13 July 2022.

The council is also required to determine and declare the forecast surplus or deficit position on its collection fund at the year-end by 15 January each year and notify its major precepting bodies (County Durham Fire and Rescue Authority; and the Durham Police, Crime and Victims' Commissioner) of their share of these sums so that they can factor these into their budget setting processes.

Finance

On 19 October 2022, Council formally approved the continuation of the current Local Council Tax Reduction Scheme into 2022/23, retaining the same level of support to all council tax payers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013.

The extension to the LCTRS is initially for one more year and the Scheme will be kept under continuous review with a report being considered by cabinet in

the summer next year, with a view to consultation on any changes for 2023/24 being in late summer / Autumn of 2022 and a report being presented to cabinet on the outcome of the consultation by December 2022 if any changes are to be considered.

The council will distribute £1.508 million of its formula grant to the T&P councils and the Charter Trust for the City of Durham in 2023/24.

Based on the position to 30 September 2022 the council tax collection fund is forecast to have a deficit of £2.378 million at 31 March 2023. Durham County Council's share of this deficit is £2.001 million. The council will not however be declaring a final forecast outturn position the council tax collection fund until later in the year.

Consultation

Town and Parish Councils have been consulted on the proposals to continue to passport an element of the council's formula grant to them as part of a LCTRS grant.

The County Durham Fire and Rescue Authority, Durham Police, Crime and Victims' Commissioner and local T&P Councils were all informed of their indicative tax base for 2023/24 in October 2022.

On 19 October 2022 council resolved to continue with the current Local Council Tax Reduction Scheme into 2023/24, thereby retaining the same level of support to all council taxpayers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013. No other consultation has been undertaken with regards to the contents of this report.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

The key risks associated with this report are financial, in terms of prudence and accuracy of forecasts used to determine the tax base and the estimation of the council tax collection fund surplus / deficit position at 31 March 2023.

The council's performance on recovery of council tax, both in year and the overall recovery rate needs careful monitoring. In 2022/23, the provision for non-collection was 1.0%, giving a forecast collection rate of 99.0% and it is proposed to retain the same collection rate for budget setting in 2023/24.

Officers will continue to carefully track and monitor the council tax base and collection fund performance.

Procurement

None