

Report of the Director of Finance to the meeting of the Executive to be held on 4 January 2022

Subject:

AM

CALCULATION OF BRADFORD'S COUNCIL TAX BASE AND BUSINESS RATES BASE FOR 2022-23

Summary statement:

This report estimates the Council's Council Tax and Business Rates bases for 2022-23. These bases in turn determine the amount of taxation raised in 2022-23.

Section A of this report estimates the Council Tax Base. This involves considering: total dwellings in the district; exemptions, discounts and the Council Tax Reduction Scheme among others items.

Section B estimates the Business Rates base, starting with the total rateable value of property used by businesses in the district.

Section C summarises the implications of the tax bases for the 2022-23 revenue budget.

Equality & Diversity

The report forms a part of the Councils Budget Strategy, and budget setting process. As in previous years a full Equality Impact Assessment has been produced for all budget proposals and full consultation with relevant groups will be undertaken. The outcome of consultation will be considered and reported upon before the 2022/23 budget is approved.

Chris Chapman
Director of Finance, IT & Procurement

Portfolio:

Corporate Services

Andrew Cross, Head of Finance
E-mail: andrew.cross@bradford.gov.uk
Martin Stubbs, Asst Director Revenues
E-mail: Martin.Stubbs@bradford.gov.uk

Overview & Scrutiny Area:

Corporate Resources

1. SUMMARY

- 1.1 This report sets the district's 2022-23 Tax Base for Council Tax and Business Rates. The calculation is a statutory requirement for the Council's 2022-23 budget. This setting is in preparation for the Council's forthcoming budget process.
- 1.2 The Tax Base for Council Tax is an estimate of the number of domestic dwellings in the district. This Tax Base estimate is expressed as a single measure in a mathematical shorthand called Band D Equivalents. The rate of Council Tax, as set by Full Council, levied on these Band D equivalents, then determines the total amount raised. Overall the growth in the tax base is estimated at 1,420 Band D equivalent properties taking the total from 142,000 in 2021-22 to 143,420 in 2022-23.
- 1.3 The actual Council Tax bill received by residents includes amounts also levied on the district's Tax Base by other organisations. These are: West Yorkshire Police and Crime Commissioner (WYPCC); West Yorkshire Fire and Rescue Authority (WYFRA) and various Parishes. These amounts are collected by the Council on behalf of these other organisations and passed over to them.
- 1.4 The Tax Base for Business Rates measures the amount of commercial property in the district. The Government sets a chargeable rate (the multiplier) against this Business Rates Base. The amounts owing from businesses are then collected by the Council. This collection is apportioned by statute between the Council (49%), the Government (50%) and WYFRA (1%).
- 1.5 The district's 2022-23 Tax Bases are set in the context of recovering from the pandemic. As a result, the financial impact is for only a small increase in the Council Tax Base (1,420 Band D equivalents – equivalent to £2.1m at 2020-21 Council Tax Band D) and a small increase in Business Rates (£842k) in comparison to 2021-22.
- 1.6 Although the recommendations from this report set the Council Tax base for the 2022-23 budget, the Business Rates estimate is formally agreed when the Section 151 officer submits a NNDR1 form to government by the end of January 2022 based on information available at 31st December 2021. Consequently, the estimates for Business Rates provided in this report are the current best estimate, but they will be updated by the end of January 2022, with the totals reflected in the 2022-23 Full Council Budget report in February 2022.
- 1.7 Council Tax and a share of Business Rates form part of the Council's General Funding. Such General Funding is not ring-fenced, making it vital to the funding of the Council's statutory obligations and local choices on service delivery.

SECTION A: COUNCIL TAX BASE

2 COUNCIL TAX BASE INTRODUCTION

- 2.1 The Tax Base is set in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. These Regulations require that the Tax Base is set between 1 December and 31 January. Any Preceptors, such as Police and Fire, must be notified of the Tax Base by 31 January.

- 2.2 The Regulations also set out how the Tax Base is calculated. This includes measuring the Council Tax Base in a standardised format called Band D Equivalent Dwellings.
- 2.3 The Council Tax rate charged on the Tax Base will be set at Full Council on Thursday 17 February 2022.

3 COUNCIL TAX BASE AND EQUIVALENT DWELLINGS

- 3.1 The first stage of estimating Band D Equivalent Dwellings for 2022-23 is to identify the numbers of what are called Equivalent Dwellings. In September 2021, there were 220,089 domestic dwellings in the district (Appendix A Line 1).
- 3.2 Council Tax exemptions and reliefs apply to some of these dwellings. The effect of these exemptions and discounts is that either a proportion, or the entirety of each dwelling is excluded from the Tax Base calculation. Dwellings numbers adjusted for these exclusions (exemptions and reliefs) no longer represent physical properties, so are known instead as equivalent dwellings. Appendix A Line 2 & 3).

The actual number of properties, 220,089 (Appendix A, line 1), has been taken from official returns provided to the Government.

- 3.2 3,656 domestic dwellings are exempt Council Tax, and removed from the Tax Base in their entirety because they are occupied by:
 - (i) Persons with disabilities
 - (ii) Students
 - (iii) Or they are owned by charities and have been vacant for 6 months (see Appendix A, line 2).
- 3.3 A 25% proportion of each dwelling is excluded from the Tax Base calculation for the Single Persons Discount, where the resident lives alone. In October 2021, 76,269 dwellings (out of 220,289) were eligible for this discount. With some other discounts, the impact of the Single Persons Discount is shown in line 4 of Appendix A.
- 3.4 There are some other adjustments to the Tax Base calculation, for example an additional proportion is added where properties attract an empty property premium after being empty for prescribed periods (Appendix A, Line 5).
- 3.5 The above adjustments bring the Tax Base down to 198,372 Equivalent Dwellings. (Appendix A, line 6).
- 3.6 These Equivalent Dwellings are then classified into the different Council Tax Bands, which determine chargeable Council Tax: this also enables the Tax Base to be expressed as the number of Band D Equivalent Dwellings.

4 Band D Equivalent Dwellings

- 4.1 This part of the calculation involves converting the Equivalent Dwellings into Band D Equivalent Dwellings.

- 4.2 As noted above, all dwellings are allocated a Council Tax Band. These range from A to H, according to their value at 1 April 1991. For example, Band H has double the liability of Band D.
- 4.2 Importantly, each band has a Council Tax liability that is a fixed ratio of Band D. This means dwelling numbers in any band can easily be expressed as an equivalent in Band D. The ratios are listed below:

Band	Property Value at 1 April 1991	Fixed ratio to Band D
A	Up to 40,000	6/9ths
B	40,000 – 52,000	7/9ths
C	52,001 – 68,000	8/9ths
D	68,001 – 88,000	9/9ths
E	88,001 – 120,000	11/9ths
F	120,001 – 160,000	13/9ths
G	160,001 – 320,000	15/9ths
H	Over 320,000	18/9ths

- 4.3 Weighting the Equivalent Dwellings by their relevant ratio to Band D, calculates the number of Band D Equivalents.
- 4.4 After this calculation, Bradford's current Equivalent Band D Dwellings total becomes 165,993 (Appendix A, line 7).

5 2022-23 COUNCIL TAX PROJECTION

- 5.1 In order to estimate the 2022-23 Council Tax Base, the District's Band D Equivalent Dwellings have been adjusted as follows:
- A reduction for the Council Tax Reduction Scheme (Council Tax Benefit) of 19,397 Band D Equivalents (Appendix A, line 8).
 - An adjustment reflecting the impact of appeals against Council Tax liability (550 reduction) and the impact of property growth (750) in Band D Equivalents (Appendix A, Line 9 & 11).
 - A reduction to take account of uncollectable debt, estimated at 2.3%, being 3,376 Band D Equivalents.
- 5.2 As a result, it is proposed to set the Council Tax Base at 143,420 Band D Equivalents. Compared to the current 2021-22 Tax Base of 142,000, this is an increase of 1,420 Band D Equivalents.
- 5.3 The 2021-22 Band D Council Tax is £1,499.11. In the event that the Council Tax is increased by 1.99% and there is a potential Adult Social Care Precept of 1% as proposed in the 2022-23 Financial Plan and Budget proposals report (7th Dec 2021 Executive), the Band D Council Tax would increase to £1,543.93. Assuming this Tax rate, a Council Tax Base of 143,420 would raise £221.430m in 2022-23. The combination of an increase in the tax base and Council Tax and Adult Social Care precept increases would raise an additional £8.4m in comparison to 2021-22.

- 5.4 All budget proposals including Council Tax increases and the Adult Social Care Precept are provisional and are subject to the conclusion of the consultation.

6 OVERALL COUNCIL TAX FINANCING

- 6.1 Council Tax and Business Rates collected are paid into a standalone pot (the Collection Fund), which also pays for the amounts (precepts) paid back to the Council, WYP&CC, WYFRA and the Parishes.
- 6.2 To provide budget certainty, the precepts paid out are pre-set according to the Council Tax Bases approved in this report, and the tax rates set either by the Council on 17th February 2022, or at the meetings held by the other organisations. There is a balancing up at the end of the year between the amount collected and the pre-set amount paid over to Bradford Council. Any deficit or surplus as a result of this balancing up, is repaid/recovered in following years.
- 6.3 In 2021-22, a surplus of £1.334m is currently anticipated in the Council Tax collection fund. Of this, the Councils share (84.33%) would be £1.125m, with the remainder being shared with WYPCC (£0.159m) 11.89% and Fire (£0.050m) (3.78%).

7. COUNCIL TAX PRECEPTORS

- 7.1 Each Parish in the district raises a precept. The individual Tax Bases on which these precepts are charged are set out in Appendix B and were notified to each Parish provisionally on 19th November 2021.
- 7.2 As noted, the other preceptors are the police and fire. They each raise a precept against the district's 2022-23 Tax Base. Further, they will repay a share of the 2020-21 deficit between the collected amounts and preset amounts paid over, and a share of the 2021-22 anticipated surplus.

8 CONCLUSION

8.1 Overall:

- The proposed Tax Base for 2022-23 will be 143,420.
- The individual Parish Tax Bases are set out in Appendix B.
- A surplus on the Council Tax collection fund of £1.334m is anticipated for 2021-22, of which the Councils share would be £1.125m

SECTION B – ESTIMATION OF THE BUSINESS RATES BASE

9 BUSINESS RATES INTRODUCTION

- 9.1 Section B of this report estimates the 2022-23 Business Rates Base. This estimate is provided to the Government and the Fire Authority by 31 January 2021.
- 9.2 The Business Rates Base is set by completing and submitting a form (NNDR1) to the

Government on or by 31 January 2021.

- 9.3 This form has to be completed using data as at 31 December; so may potentially vary from the estimate in this report, which is necessarily based on earlier data.
- 9.4 The purpose of Section B is to provide Councillors with the most up to date estimate of the Business Rates Base; it further requests that authority is delegated to the Section 151 officer, in consultation with the Council Leader to amend the estimate for the purpose of making the final NNDR1 submission.

10 AMOUNT OF COMMERCIAL PROPERTY

- 10.1 The Business Rates Base is a measure of the commercial (non-domestic) property in the district. The estimate comprises three main elements:
- The gross value for tax purposes of commercial property in the district as assessed by the Valuation Office Agency (VOA): called the Rateable Value (RV).
 - The value of discounts granted against this Rateable Value for instance, to small businesses or charities: called reliefs.
 - Some deductions in calculating the overall Business Rates Tax Base, for example to account for difficulties in collecting debt and appeals by businesses against their Rateable Value assessment.
- 10.2 Unlike Council Tax, the tax rate (called the Multiplier) for commercial property is set by Central Government. For 2022-23, the Government has kept the multiplier unchanged at 49.9p.
- 10.3 As noted, due to the pandemic, there is a very high level of uncertainty when estimating tax bases. In particular, retail, hospitality and leisure businesses did not pay Business Rates for 2020-21 and had a large discount in 2021-22 (equivalent to 75%) therefore, the overall impact of the pandemic on these businesses will only become fully clear when they pay rates once again.
- 10.4 Further uncertainty is caused by the number of appeals awaiting decisions by the VoA.

11 BUSINESS RATES BASE

- 11.1 The estimate of gross Rateable Value in the district has been set at £380m in 2022-23 (£384m in 2021/22). Applying the tax rate (multiplier) set by the Government, this rateable value equates to a tax liability of £189.6m for 2022-23 (£191.2m for the 2021-22 year).
- 11.2 It is noted that the estimate of gross Rateable value is £3.5m lower than the 2021-22 Budget and includes a projection for further reductions. The reduction is mainly due to the impact of successful appeals and assessments that will come out of the rating list.
- 11.3 Discounts given to business owners against their tax liability, called reliefs, are estimated to cost £53.9m.
- 11.4 An assessment has been made around the amount to be set aside to cover

potential costs of past appeals by business owners. The Valuation Office has struggled to adjudicate on these appeals during the pandemic and there remains uncertainty around the actual and final costs. An assessment has also been made for uncollected debt.

- 11.5 A small deduction (£0.7m) has been made out of the collection to cover the cost of collecting business rates.
- 11.6 After adjustments for appeals and uncollected debt, the estimated collection for 2021-22 is £129.2m. Bradford's share of this collection is £63.3m (49%), with the remainder being paid to Central Government (50%) and WYFRA (1%).

12 BUSINESS RATES FINANCES

- 12.1 The 2021-22 anticipated Business Rate deficit has to be paid off in 2022-23 and therefore considered as part of the 2022-23 budget process. At the end of any year, there is a balancing up between the amounts of tax redistributed in advance to the Council or other organisations and the actual collection.
- 12.2 The Council has been compensated by the Government for its share of the cost of the additional relief provided in 2021-22. After taking this into consideration, the net impact on the Council is a £0.6m shortfall which will have to be repaid in 2022-23.
- 12.5 The overall 2022-23 position is summarised below:
- £63.3m collected in year (per 11.6 above)
 - A £0.6m shortfall after S31 grants from 2021-22 to be repaid in 2022-23

SECTION C – 2022-23 REVENUE BUDGET

13 COUNCIL TAX AND BUSINESS RATES REPORT SUMMARY

- 13.1 The overall Council Tax and Business Rates position regarding Bradford Council is combined and summarised in the table below. This compares the position set out in this report with the prior estimate contained in the 7th December 2021 2022-23 Financial Plan and Budget Proposals Executive report. As a result of the changes outlined above, the amount raised from Council Tax and Business rates is now forecast to be £1.8m higher than forecast in the 7th December 2021 report.

	7 th December Exec Report	4 th Jan 2022 update	Change
Council Tax & ASC Precept 2022-23	(221,358)	(221,431)	(73)
2021-22 forecast surplus		(1,125)	(1,125)
Total Council Tax	(221,358)	(222,551)	(1,198)
Business Rates 2022-23		(63,330)	
2021-22 Share of Business Rates deficit not funded by S31 grants		597	
Total Business Rates	(62,131)	(62,733)	(602)
Total	(283,489)	(285,284)	(1,800)

14 LEGAL APPRAISAL

14.1 The legal issues have been considered in the body of this report.

15 OTHER IMPLICATIONS

16 EQUALITY & DIVERSITY

17.1 None

18 SUSTAINABILITY IMPLICATIONS

18.1 None

19 GREENHOUSE GAS EMISSIONS IMPACTS

19.1 None

20 COMMUNITY SAFETY IMPLICATIONS

20.1 None

21 HUMAN RIGHTS ACT

21.1 None

22 TRADE UNION

12.1 None

23 WARD IMPLICATIONS

23.1 None

24 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

24.1 None

25 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

25.1 None

26 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

26.1 None

27 NOT FOR PUBLICATION DOCUMENTS

27.1 None

28 RECOMMENDATIONS

- 28.1 That the number of Band D equivalent properties for 2021-22 for the whole of the Bradford Metropolitan District is fixed at 143,420 (as set out in Appendix A, line 13 of this report).
- 28.2 That the Council Tax Base for 2021-22 for each Parish (set out in Appendix B) is approved.
- 28.3 Further that Bradford's £1.12mm share of the anticipated 2021-22 Council Tax surplus is approved. Also that the Police and Fire share of the surplus (as set out in 6.3) is noted.
- 28.4 That the latest estimate of the gross shares of Business Rates income for 2022-23, are noted. These are set out below:
50% is paid to Central Government - £64.6m
1% is paid to the West Yorkshire Fire Authority - £1.29m
49% is retained by the Council - £63.3m
- 28.5 That authority is delegated to the Section 151 officer in consultation with the Leader of the Council to make any necessary amendments to the Business Rates estimate arising from the completion of the 2022-23 NNDR1 form and to include the amended figures in the 2022-23 Budget papers for Council.

29 APPENDICES

Appendix A - 2022-23 Council Tax Base

Appendix B – Parish and Town Councils 2022-23 Council Tax base

Appendix A

Dwellings on Valuation List	Band @	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings	180	91,928	46,465	40,242	18,420	12,870	6,003	3,707	274	220,089
2. Exempt properties	0	-2,278	-645	-417	-156	-85	-39	-31	-5	-3,656
3. Taxable properties	180	89,650	45,820	39,825	18,264	12,785	5,964	3,676	269	216,433
4. Discounts	-16	-10,557	-4,086	-2,985	-1,124	-593	-242	-154	-19	-19,776
5. Empty homes scheme	0	1,102	295	175	77	32	12	15	7	1,715
6. Estimated taxable properties after discounts and premiums	164	80,195	42,029	37,015	17,217	12,224	5,734	3,537	257	198,372
Ratio to band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
7. Band D equivalent	91	53,463	32,689	32,902	17,217	14,940	8,282	5,895	514	165,993
8. Estimated impact of Council Tax Reduction Scheme	-29	-12,591	-3,652	-2,125	-629	-273	-66	-32	0	-19,397
9. Growth as band D	0	0	0	0	750	0	0	0	0	750
10. Empty homes premium change	0	0	0	0	0	0	0	0	0	0
11. Banding and backdated liability changes	0	-48	-56	-64	-74	-87	-103	-118	0	-550
12. Adjustment for losses on collection	-1	-939	-667	-706	-397	-335	-187	-132	-12	-3,376
13. 2022-23 Council Tax base (Band D equivalent)	61	39,885	28,314	30,007	16,867	14,245	7,926	5,613	502	143,420

Appendix B

Local Tax Bases

2022-23 Local Council Tax Bases				
Parish / Town Council	Starting Council Tax Base Band D Equivalents	CTR impact, Band D Equivalents	Net changes including growth in properties, & bad debt losses Band D Equivalents	Final 2022-23 Council Tax Base Band D Equivalents
ADDINGHAM	1,879	-72	-25	1,782
BAILDON	6,843	-474	-96	6,273
BINGLEY	9,240	-574	-122	8,544
BURLEY	3,168	-100	-54	3,014
CLAYTON	2,808	-314	-21	2,473
CULLINGWORTH	1,419	-86	-20	1,313
DENHOLME	1,294	-132	-9	1,153
HARDEN	878	-20	-10	848
HAWORTH etc	2,561	-189	-15	2,357
ILKLEY	7,559	-215	-117	7,227
KEIGHLEY	17,506	-2,394	58	15,170
MENSTON	2,298	-45	-44	2,209
OXENHOPE	1,114	-47	-20	1,047
SANDY LANE	954	-64	-13	877
SHIPLEY *	5,127	-367	-46	4,714
SILSDEN	3,321	-186	-48	3,087
STEETON/EASTBURN	1,899	-77	-32	1,790
WILSDEN	1,873	-89	-28	1,756
WROSE	2,374	-161	-29	2,184
	74,115	-5,606	-691	67,818