

Southend-on-Sea Borough Council

Report of Corporate Director of Support Services
to
Cabinet
On
22 January 2013

Agenda
Item No.

Report prepared by: Joe Chesterton, Head of Finance &
Resources

Council Tax Base and Non Domestic Rates 2013/14
Executive Councillor: Councillor Nigel Holdcroft
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To enable a valid Council Tax to be determined, the calculation of the Tax Base at the commencement of the forthcoming financial year needs to be approved. This report shows the calculation of the Council Tax Base for 2013/14.
- 1.2 To notify Cabinet of the important changes to the calculation of the Tax Base for 2013/14.
- 1.3 To approve the Non Domestic Rates (NDR) Return that must be submitted to the Department of Communities and Local Government (DCLG) by 31st January 2013.

2. Recommendations

- 2.1 **That in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended by the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003) and Local Government Finance Act 2012 (Calculation of billing authority's council tax base Section 15):-**

- 2.1.1 **That the Local Council Tax Support Scheme approved by Council on 13th December 2012 be incorporated into the Council Tax base setting as outlined in Appendices A and B;**

- 2.1.2 **That changes to Council Tax discounts and exemptions with effect from 1st April 2013 approved by Council on 13th December 2012 will be incorporated into the Council Tax Base:-**

- **Second homes (Classes A and B) - will be set at 0% discount**
- **Long-term empty homes (Class C) - a surcharge of 50% will be set allowing a full charge of 150% where they have been unoccupied for more than 2 years**
- **That properties undergoing structural alteration previously entitled to exemption of 100% for 12 months defined under Exemption Class A will be entitled to a 25% discount for up to 12 months**
- **That properties empty and unfurnished previously entitled to 6 months exemption under Exemption Class C will be entitled to 3 months exemption at 100%;**

2.1.3 The amount calculated by the Council as its Council Tax Base for the year 2013/14 shall be 53,358.9;

2.1.4 The amount calculated by the Council as the Council Tax Base in respect of Leigh-on-Sea Town Council for the year 2013/14 shall be 8,340.8.

2.2 That the NDR1 form attached at Appendix C be approved for submission to the DCLG.

3. Background

3.1 The Council Tax Base is the number of band D equivalent properties/dwellings, or looked at another way it is the amount of money the billing authority estimates it can raise for each £1 of council tax set at the band D level.

3.2 The Council is required under the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended by the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 and Local Government Finance Act 2012 (Calculation of billing authority's council tax base Section 15) to determine the Council Tax Base and notify major precepting authorities in the period 1st December to 31st January.

3.3 The Council is also required to calculate a tax base for the part of its area falling within the Leigh-on-Sea Town Council's area. The Town Council has been notified of their indicative Council Tax base to allow them to prepare their potential precept and Council Tax and following Cabinet's approval will be formally notified of the Council's decision in respect of their final Tax Base.

3.4 As part of the Government's extensive finance reform changes from April 2013, the Council has to formally agree the submission of its Non Domestic Rates baseline for the forthcoming financial year. Given the importance of how the submitted baseline now impacts on the funding that will flow to the Authority from Government the baseline has to now be approved in the same way as setting the Council Tax base. Previously officers submitted an annual return.

- 3.5 Setting the Council Tax Base is a Council function which usually requires full Council approval during the specified period.

However, Section 67 to the Local Government Finance Act 1992, (as amended by section 84 to the Local Government Act 2003) excluded setting the tax base from having to be determined by Full Council. Thus it can be delegated under section 101 to the Local Government Act 1972 to a committee, the cabinet or even an officer.

- 3.6 It was agreed by Council on 13th December 2012 that Council delegate both the setting of the Council Tax base and the approval of the NDR1 to Cabinet. This was to allow both to be considered by Cabinet in a timely fashion to meet the statutory 31st January deadline. Details of the tax base and the retained business rates will be reported to Cabinet and Council as part of the budget setting process.
- 3.7 The Regulations require the tax base to be based upon the District Valuer's List as at 30th November each year. This figure is then amended for the estimated activity on the Council Tax base from 1st December to 31st March. An early determination assists the Council and precepting authorities in their financial planning.
- 3.8 For 2013/14 in addition to the forecasting of banding of properties and voids the tax base has had to reflect the new changes for discounts and exemptions arising from the technical reforms of Council Tax together with the implementation of the introduction of Localised Support for Council Tax, under the LGFA 2012 as a replacement for the national Council Tax Benefit scheme.
- 3.9 From 1st April 2013 Council tax benefit will end and will be replaced by a local policy to provide discounts against Council Tax. This in effect will mean a significantly reduced Council Tax base level compared to 2012/13 as replacement funding for the new scheme (at a lower level than full subsidy under the present scheme) now comes through as separate element within the overall formula grant.

4. Local Council Tax Support Scheme

- 4.1 The Local Council Tax Support Scheme for Southend-on-Sea Council was approved by Council on 13th December 2012.
- 4.2 The scheme has been drawn up on the basis that it is cost neutral on the Council's budgetary position, and that therefore the financial impact of the reduced funding available is passed onto working age claimants. The Government does not allow changes to be made to the level of benefit available to claimants of pensionable age – they are fully protected at present.

4.3 That full protection for those of pensionable age obviously leads to a disproportionate impact on working age claimants. To achieve a cost neutral scheme, the proposed scheme will principally reduce benefits paid to working age claimants by 25%.

4.4 The Council has been working closely with all other Essex authorities to introduce a standardised and consistent scheme. All Essex billing authorities have been working to adopt the following items in their schemes:-

- Design a cost neutral scheme that passes the national 10% (13% for Southend-on-Sea) reduction in Government funding to working age claimants
- All pensioners will be treated as a class that is protected from the changes, so all changes will be for working age only
- The Local Support scheme will be “means tested” for 2013/14, using a lot of the principles of the current Council Tax Benefit scheme
- Restriction of support to a maximum liability, either by restriction to a specific council tax banding and/or a % restriction of liability with variations in different Essex authorities
- The current Second Adult Rebate scheme will not be treated as a class of eligible claimants for working age claims
- To reduce the capital (cut off) limit from £16,000 to £6,000
- Minor changes to treatment of “changes of circumstances” after the award of support to remove the requirement to calculate and award ‘underlying entitlement’ when overpayments occur
- The billing authority to make available a small sum to cover ‘exceptional hardship cases’

4.5 The most significant change proposed is to restrict the support to a maximum 75% (i.e. a reduction of 25%) of liability for working age claimants. Currently there is no restriction, and liability can be reduced to zero.

4.6 The local scheme has to be effected through the giving of a reduction in Council Tax liability, as opposed to financial assistance with the full liability, and as such will have the effect of reducing the overall Council Tax Base.

5. Calculation of the Council Tax Base

5.1 The calculation of the Council Tax Base commences with reference to the number of properties in each band of the valuation list as it stands at 30th November each year (the relevant day).

5.2 Adjustments are then made for:-

- (a) Any known alterations not shown on the valuation list on the relevant day
- (b) Properties exempt from council tax on the relevant day
- (c) Any reductions in banding awarded in respect of disabled persons as of the relevant day
- (d) Any status discounts granted as they stand on the relevant day

- (e) Any estimated changes likely to occur to the base information during the period from the relevant day to 31 March each year
- (f) Impact of Local Council Tax Support Scheme

5.3 Once these adjustments are made to each band, a calculation is made to express all bands as a Band D equivalent. The sum of Band D equivalent properties is then reduced by the Authority's anticipated allowance for changes in voids, discounts and exemptions and an allowance for changes in the provision for bad and doubtful debts (which is linked to the anticipated in year collection rate and collection of arrears). The result is the Council Tax Base for tax setting purposes.

5.4 The same exercise is carried out in respect of the area covered by Leigh-on-Sea Town Council. The Government consulted on the possibility of providing a separate Council Tax Base for Town and Parish Councils due to changes in relation to Council Tax Support. The consultation response was that the Government decided not to follow this option and therefore the same allowance must be applied to both calculations.

5.5 The Council Tax base for 2013/14 is therefore:-

	Southend-on-Sea	Leigh-on-Sea
Council Tax Base 2012/13	61,610.3	8,884.3
Council Tax Base 2013/14	53,358.9	8,340.8
Decrease in Tax Base 2012/13 to 2013/14	-8,251.4	-543.5
Due to;		
Discounts, Exemptions and New properties	835.5	137.1
Effect of Local Council Tax Support Scheme	-9,086.9	-680.6
Net Change	-8,251.4	-543.5

5.6 The calculation of the Tax Base is set out in Appendices A and B.

6. Non Domestic Rates (NDR)

6.1 Under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012) a proportion of non-domestic rates will in future be retained locally rather than paid into the central pool. Currently all NDR collected is paid to the Government and Southend-on-Sea receives back a proportion as part of the overall Government funding arrangements.

6.2 Currently, Officers complete a return known as the NDR1 form before the start of each financial year, which is returned to the Department for Communities and Local Government (DCLG). This form provides the local tax base for business properties in the area for the forthcoming year. The form is used by DCLG to set a schedule of payments that have to be made to the national pool.

- 6.3 Under the Government's new Business Rates Retention model it is clear that the NDR1 form has become a key document in the budget setting process. The approved changes also confirm that an initial submission of the NDR1 form will be required by mid December and a final version "signed-off by the Council" must be returned by 31st January 2013. However, for 2013/14, as this is the first year of the scheme and the Government has been late in releasing final details of the scheme, the draft NDR1 is required by 7th January 2013. As required the draft return has been duly submitted on time by officers.
- 6.4 Central Government will still set the actual level of non-domestic rates.
- 6.5 2013/14 is the first year of the business rates retention scheme. In brief, however, under the business rates retention scheme authorities will from 1 April 2013 retain a percentage of the rates income that they collect. Further percentages will be paid to central government and to an authority's major precepting authorities excluding Police Authorities.
- 6.6 The amount to be retained, and the amounts to be paid to central government and major precepting authorities are to be fixed at the start of the financial year on the basis of the billing authority's estimate of its non-domestic rating income for the year.
- 6.7 The basis on which an authority is to make that estimate will be set out in regulations made under the provisions of the 1988 Act. The regulations will also require authorities to calculate the sum due, for that year, to:-
- (i) the Secretary of State in respect of the "central share" of their non-domestic rating income;
 - (ii) to their major precepting authorities
- 6.8 Calculations of these shares of non-domestic rates income are recorded on the form in the NDR summary. Taking the net rate yield at line 36 in Appendix C, the summary will automatically calculate the central, major precepting authority and billing authority shares of income under the scheme.
- 6.9 The Government has confirmed that shares will be calculated in accordance with the following percentages as appropriate to the authority's area:-
- 50% central share to Government
 - 49% where the billing authority is a unitary authority such as Southend-on-Sea
 - 1% Essex Fire Authority (Essex Police Authority are funded separately under the new arrangements)
- 6.10 The changes to the way Business Rates is distributed greatly increases the importance of the NDR1 form which will set the anticipated amount of non-domestic rates that will be collected in the coming year and will therefore determine the respective shares between central government and Southend-

on-Sea Council. There will be a retrospective cash adjustment by Government in the following financial year based on the final position for the financial year in question.

- 6.11 The final 2013/14 return required for submission to the DCLG by 31st January is attached for approval at Appendix C.

7. Corporate Implications

7.1 Contribution to Council's Vision & Corporate Priorities

The approval of the Council Tax Base and NDR1 will enable a budget to be set for the forthcoming financial year and also the Council Tax level and Government/Local Authority funding to be set in line with statutory requirements.

7.2 Financial Implications

Some residents who have not paid Council Tax before will now have to contribute. This may have an impact on collection rates as people have to deal with the additional Council Tax bill as well as other welfare reform cuts that are being phased in.

The calculation of the overall Council Tax collection rate in 2013/14 reflects the requirements of the new Local Council Tax Support Scheme, revised discounts and exemptions and consideration for the current national financial climate. The overall projected rate for 2013/14 is therefore estimated at 97%. Should the collection rate ultimately prove to be better or worse than the estimate, any surplus/deficit on the Collection Fund will effectively be addressed as part of setting the following years Council Tax level.

Based upon the set baseline for business rates (NDR) the Government and Local Authority funding from this source will be established for the forthcoming financial year.

The financial implications of the approved Council Tax Base and NDR1 will be included in the budget and council tax report for 2013/14 to be considered by Council on 28th February 2013. They will also be addressed within the Council's Medium Term Financial Strategy.

7.3 Legal Implications

There is a statutory duty to approve the Council Tax Base and NDR1 for 2013/14 and notify precepting authorities by 31st January 2013.

7.4 People Implications

None

7.5 Property Implications

None

7.6 Consultation

None

7.7 Equalities Impact Assessment

None

7.8 Risk Assessment

Assuming this report is approved, there is no risk that the Council will not meet its statutory duty to approve the Council Tax Base for 2013/14 and notify precepting authorities by 31st January 2013. In addition, it will also enable the statutory deadline of 31st January 2013 to be achieved for the submission of the NDR1.

7.9 Value for Money

Under the Government's financial reforms for funding Local Government, the Council Tax Base and Non Domestic Rates baseline are critical elements in determining the level of Council Tax and funding for the Authority.

7.10 Community Safety Implications

None

7.11 Environmental Impact

None

8. Background Papers

Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended by the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003)
Local Government Finance Act 2012 (Calculation of billing authority's council tax base Section 15)

Valuation List for the Billing Authority area and CTB1 Return for 2013/14

9. Appendices

Appendix A - Council Tax base calculation – Southend Borough Council
Appendix B - Council Tax base calculation – Leigh Town Council
Appendix C - Non Domestic Rates 1 (NDR1) Return