

Southend-on-Sea Borough Council

Report of Chief Executive

To

Cabinet

On

18th January 2018

Report prepared by: Joe Chesterton
Director of Finance & Resources

Agenda
Item No.

Council Tax Base and National Non Domestic Rating Base 2018/19

Policy & Resources Scrutiny Committee
Executive Councillor: Councillor John Lamb
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 2018/19.
- 1.2 To approve the National Non Domestic Rates (NNDR1) form that must be submitted to the Department of Communities and Local Government (DCLG) by 31st January 2018.

2. Recommendations

In respect of the Council Tax Base

- 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):

The Local Council Tax Support Scheme for 2018/19 approved by Council on 14 December 2017, be incorporated into the Council Tax base setting as outlined in Appendices A and B;

That the following changes to Council Tax discounts and exemptions approved by Cabinet on 5 January 2016 will remain unchanged from 1 April 2018 and these are incorporated into the Council Tax Base:-

- **Properties requiring or undergoing structural alteration or major repairs (Class D) as allowed by Section 11A of the Local Government Finance Act 2012 is set at 0%;**
- **Vacant and substantially unfurnished properties (Class C) as allowed by Section 11A of the Local Government Finance Act 2012 to be entitled to receive a discount of 100% for up to 1 month.**

That the further discounts and exemptions that were approved by Council on 13 December 2012 will remain unchanged from 1 April 2018 and these are incorporated into the Council Tax Base;

- **Second homes (Classes A and B) as allowed by Section 1A of the Local Government Finance Act 2012 is set at 0%;**
- **Long-term empty homes (Class C) as allowed by Section 11A of the Local Government Finance Act 2012, a surcharge of 50% is set allowing a full charge of 150% where they have been unoccupied for more than 2 years;**
- **That a continuous 6 week period of occupancy is required between empty periods before a further discount can be awarded.**

2.2 The amount calculated by Southend-on-Sea Council as its Council Tax Base for the year 2018/19 shall be 57,611.55;

2.3 The amount calculated by Southend-on-Sea Council as the Council Tax Base in respect of Leigh-on-Sea Town Council for the year 2018/19 shall be 8,779.95;

In respect of the Non-Domestic Rates Base (NNDR1 Form)

2.4 That Cabinet approve the NNDR1 form attached at Appendix C for submission to 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 1 December to 31 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 Cabinets approval will be formally notified of the Council's decision in respect of their final Tax base.
- 3.4 As part of the Governments 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 now has to be approved in the same way as setting the Council Tax base.
- 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 on 13 December 2012 that Council delegate both the setting of the Council Tax base and the approval of the NNDR1 to Cabinet. This was to allow both to be considered by Cabinet in a timely fashion to meet the statutory 31 January deadline. In addition, the Council has delegated the authority to approve the NNDR1 form and the Council Tax Base to the Director of Finance and Resources, in conjunction with the Leader, subject to the delegation only being used where Cabinet is not able to approve the NNDR1 form or the Council Tax Base by the 31st January. Where this additional delegation is used, the Director of Finance and Resources will include an explanation in a subsequent report to Council as to why it was not practical for Cabinet to use its delegation.
- 3.7 Details of the tax base and the retained business rates will be reported to Cabinet and Council as part of the budget setting process.

4. Council Tax Base

- 4.1 The Regulations require the tax base to be based upon the District Valuer's List as at 30 November each year. This figure is then amended for the estimated activity on the Council Tax base from 1 December to 31 March. An early determination assists the Council and precepting authorities in their financial planning.
- 4.2 Since 1 April 2013, in addition to the forecasting of banding of properties and voids, the Council Tax base must also reflect the discretionary technical reforms of Council Tax (discounts and exemptions) together with the impact of the Local Council Tax Support Scheme because awards of Council Tax Support are classified as discounts and as such will have the effect of reducing the overall Council Tax base.

- 4.3 Exemption classes A & C were abolished with effect from 1 April 2013. Class A exemptions covered “vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to twelve months) whilst Class C exempt dwellings were “a vacant dwelling (i.e. empty and substantially unfurnished) (up to six months)”.
- 4.4 In addition, since 1 April 2013, Local authorities in England have had the choice to apply council tax discounts of between 0% and 50% for second homes, and to apply council tax discounts for empty dwellings at any level between 0% and 100%. Also, from 1 April 2013, an Empty Homes Premium of up to 50% can be charged on dwellings that had been empty for more than 2 years.
- 4.5 On 5 January 2016, Cabinet approved to implement further changes that are set out in 2.1. Specifically, to uninhabitable and empty and unfurnished properties, and this came into effect on 1 April 2016, regardless of when any previous discount has been awarded. This will remain unchanged for 2018/19.
- 4.6 It was agreed by Council on 14 December 2017 that there should be the following changes to the existing Local Council Tax Support Scheme for Southend-on- Sea;

The approved changes to the scheme are:

- The introduction of a minimum income floor for self-employed people, this applies to the equivalent of the minimum wage. Whilst we do not have large numbers of self-employed claimants, roughly 350, there is currently no mechanism to assume a minimum income. Often claimants declare extremely low profits year on year and claim the maximum LCTSS. Applying this rule would enable the Council to reduce the award after the first year of trading. Other authorities in Essex adopted this rule in earlier years and have not experienced any legal challenge. The adoption of this approach will reduce the time needed to calculate an income from cash books and receipts where often the outcome is a negative income.
- The introduction of a simplified deduction for non-dependants. Currently we have 5 income bands which determine what level of deduction is made dependant on their income. This means that we must gather detailed evidence of all the income for each non-dependant and input this on the system individually. By introducing a flat rate deduction for all non-dependants regardless of income this process would be negated. The system would automatically apply the flat rate deduction for each non-dependant.

The approved changes to the administration processes are:

- The removal of the requirement to complete a claim form and to take the notification from the department of Work and Pensions as an intent to claim. We will contact the claimant at this point to investigate their circumstances and make an interim assessment. They can then commence their payments against the reduced liability avoiding the build-up of arrears which inhibit future collection.
- To save administration costs we will not take action to reassess LCTSS if the claimant's income variation is less than £10 a month. This will avoid recalculation of the award for small changes, which lead to a new liability and Council Tax Demand. Each time a new liability is calculated the legislation states that the recovery stage must return to "billing" meaning multiple changes prevent the debt reaching summons stage. The intention of the legislation is to allow bill payers a fresh start to the debt following liability changes, however in these circumstances it prevents efficient debt recovery.

Calculation of the Council Tax Base

- 4.7 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 30 November each year (the relevant day).
- 4.8 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) Impacts of the Local Council tax Support Scheme.
- 4.9 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.
- 4.10 The same exercise is carried out in respect of the area covered by Leigh-on-Sea Town Council. The Government previously consulted on the possibility of providing a separate Council Tax Base for Town and Parish Councils due to changes in Council Tax support. The Government decided not to follow this option and therefore the same allowance must be applied to both calculations.

4.11 The Council Tax base for 2018/19 is therefore:-

	Southend-on-Sea	Leigh-on-Sea
Council Tax Base 2017/18	56,917.61	8,717.19
Council Tax Base 2018/19	57,611.55	8,779.95
Increase/(Decrease) in Tax Base 2017/18 to 2018/19	693.94	62.76
Percentage Increase/(Decrease) in Tax Base 2017/18 to 2018/19	1.22%	0.72%

The Council Tax base for Southend-On-Sea has increased as a result of a combination of new properties on the list coupled with the on-going impact of the agreed discounts and exemptions.

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

5. National Non Domestic Rating Base (NNDR1 Form)

5.1 Under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012) from 1 April 2013 a proportion of non- domestic rates will be retained locally rather than paid into the central pool.

5.2 The NNDR1 form sets 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.

5.3 The NNDR1 form is in a defined format set by Government and changes from year to year. At the time of writing this report the initial form was received on 22 December 2017, however, we have been advised that this possibly may not be the final version to use for 2018/19. DCLG may inform us as late as January that the initial form may be amended. Should that be the case, the Director of Finance and Resources will use his delegated authority to ensure the correct form is returned by the statutory deadline, and report back to Cabinet subsequently.

6. Corporate Implications

6.1 Contribution to Council's Vision & Corporate Priorities

The approval of the Council Tax Base and NNDR1 will enable a budget to be set for the forthcoming financial year and a Council Tax level to be set in line with statutory requirements.

6.2 Financial Implications

The financial implications of the approved Council Tax Base and NNDR1 will be included in the budget and council tax report for 2018/19 to be considered by Council on 22 February 2018.

These figures will be reflected in the budget proposals for 2018/19 and the Medium Term Financial Strategy.

6.3 Legal Implications

There is a statutory duty to approve the Council Tax Base and NNDR1 for 2018/19 and notify precepting authorities by 31 January 2018.

6.4 People Implications

None.

6.5 Property Implications

None.

6.6 Consultation

None.

6.7 Equalities Impact Assessment

None.

6.8 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 2018/19 and notify precepting authorities by 31 January 2018. In addition, it will also enable the statutory deadline of 31 January 2018 to be achieved for the submission of the NNDR1.

6.9 Value for Money

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

6.10 Community Safety Implications

None.

6.11 Environmental Impact

None.

7. 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;
- CTB1 Return for 2017/18

8. Appendices

Appendix A – Council Tax base calculation – Southend-on-Sea Council

Appendix B – Council Tax base calculation – Leigh Town Council

Appendix C - NNDR1 Form