

Southend-on-Sea Borough Council

Report of Executive Director (Finance & Resources)

To

Cabinet

On

16th January 2020

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Agenda
Item No.

Council Tax Base and National Non Domestic Rating Base 2020/21

Policy & Resources Scrutiny Committee
Cabinet Member: Councillor Ian Gilbert
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 2020/21.
- 1.2. To approve the National Non Domestic Rates (NNDR1) form that must be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) by 31st January 2020.

2. Recommendations

That Cabinet approve that:

In respect of the Council Tax Base;

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. **From 1st April 2020 the premium for properties (empty for 5 years but less than 10 years) will be increased to 200%;**
- 2.2. **The amount calculated by Southend-on-Sea Borough Council as its Council Tax Base for the year 2020/21 shall be 58,680.94;**

- 2.3. **The amount calculated by Southend-on-Sea Borough Council as the Council Tax Base in respect of Leigh-on-Sea Town Council for the year 2020/21 shall be 8,845.24;**
- 2.4. **The new Care Leavers Council Tax Relief Policy at Appendix A be endorsed and to note the subsequent impact on the Council Tax Base.**

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

- 2.5. **The NNDR1 form (to follow) attached at Appendix D for submission to MHCLG.**

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 Central 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 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 13th 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 31st January deadline. In addition, the Council has delegated the authority to approve the NNDR1 form and the Council Tax Base to the Executive Director (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 Executive Director (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 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.
- 4.2. Since 1st 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 1st 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 1st 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%. From 1st April 2019, an Empty Homes Premium of up to 100% can be charged on dwellings that had been empty for more than 2 years and additionally from 1st April 2020 an Empty Homes Premium of 200% can be charged on dwellings empty for 5 years or more but less than 10 years. This report seeks to endorse this latest Empty Homes Premium of 200% from 1st April 2020.
- 4.5. On 5th January 2016, Cabinet approved to implement further changes to uninhabitable, empty and unfurnished properties, and this came into effect on 1st April 2016, regardless of when any previous discount has been awarded. These arrangements will remain unchanged for 2020/21.

- 4.6. The Local Council Tax Support Scheme for 2020/21 was approved by Council on 17th December 2019 with no changes from the 2019/20 scheme.
- 4.7. Southend-On-Sea Borough Council are proposing from 1st April 2020 to provide additional financial support for care leavers between the ages of 18 and 21. The proposed policy is shown at **Appendix A**. The Council recognises that young people's transition out of care and into adulthood can be extremely difficult. Managing money for the first time, without the support from family, potentially puts care leavers at real risk of falling into debt. The council is proposing to support those leaving its care by reducing their net liability for council tax after application of any other national reliefs to zero until the charge payers 21st birthday. In exceptional cases the support will be extended to the charge payers 25th birthday. The estimated cost of introducing this new policy in 2020/21 (in terms of a reduction of band 'D' equivalent in the tax base) is circa £52,000 p.a.

Calculation of the Council Tax Base

- 4.8. 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).
- 4.9. 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 31st March each year.
 - (f) Impacts of the Local Council tax Support Scheme.
- 4.10. 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.
- 4.11. 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.

4.12. The Council Tax base for 2020/21 is therefore:-

	Southend-on-Sea	Leigh-on-Sea
Council Tax Base 2019/20	58,424.44	8,814.09
Council Tax Base 2020/21	58,680.94	8,845.24
Increase in Tax Base - 2019/20 to 2020/21	256.50	31.19
% Increase in Tax Base - 2019/20 to 2020/21	0.44%	0.35%

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.

4.13. The calculation of the Tax Base is set out in **Appendices B and C**.

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 1st April 2013 a proportion of non-domestic rates will be retained locally rather than paid into the central pool.
- 5.2. The NNDR1 form (**Appendix D**) 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 has not been received. Depending on when we receive the form it may be the case, that the Executive Director (Finance and Resources) will have to use his delegated authority to ensure that it is returned by the statutory deadline, and report back to Cabinet/Council subsequently. However, the intention is that the form will be received in sufficient time to allow it to be completed and submitted to the Cabinet meeting on 16th January 2020.

6. Corporate Implications

6.1. Contribution to the Southend 2050 Road Map

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. It is therefore a key enabler and an essential part of the financial planning process that directly supports all of our Southend 2050 outcomes and priorities.

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 2020/21 to be considered by Council on 20 February 2020.

These figures will be reflected in the budget proposals for 2020/21 and the Medium Term Financial Strategy.

6.3. Legal Implications

There is a statutory duty to approve the Council Tax Base and NNDR1 for 2020/21 and notify precepting authorities and the Government by 31st January 2020.

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 2020/21 and notify precepting authorities by 31st January 2020. In addition, it will also enable the statutory deadline of 31st January 2020 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 2019/20
- Local Council Tax Support Scheme for 2020/21

8. Appendices

Appendix A - Care Leavers Council Tax Relief Policy

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

Appendix C - Council Tax base calculation – Leigh-on-Sea Town Council

Appendix D - NNDR1 Form