

Southend-on-Sea Borough Council

Report of Executive Director (Finance & Resources)

To

Cabinet

On

14th January 2021

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Agenda
Item No.

7

Council Tax Base and National Non-Domestic Rating Base 2021/22

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 considered and approved. This report shows how the proposed Council Tax Base for 2021/22 has been calculated.
- 1.2. To consider and 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 2021.

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 2021 the premium for properties (empty for 10 years or more) will be increased to 300%;

- 2.2. The amount calculated by Southend-on-Sea Borough Council as its Council Tax Base for the year 2021/22 shall be 58,630.49;
- 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 2021/22 shall be 8,762.69.

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

- 2.4. The NNDR1 form for 2021/22 (to follow) at Appendix C be submitted to MHCLG.

3. Background Information

- 3.1. The Council Tax Base is calculated as the number of band D equivalent properties/dwellings for each local authority or looked at another way it is the amount of money the individual 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 within 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 Cabinet's approval will be formally notified of the Council's decision in respect of their final tax base for 2021/22.
- 3.4. As part of Central Government's extensive changes due to financial reform since April 2013, the Council is also required to formally agree the submission of its National 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, this baseline requires approval 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. It can therefore be delegated under section 101 of the Local Government Act 1972 to a specific Committee, the Cabinet, or even an individual 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 form to Cabinet. This agreement was reached to enable consideration by Cabinet in a timely fashion to meet the statutory January 31st deadline each year. 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 each year. 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 calculation and the retained business rates level 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 direct 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%. The Council is committed to reducing the number of empty homes across Southend-on-Sea and a report elsewhere on this Cabinet agenda presents a new Empty Homes Strategy for 2021 – 2026.

- 4.5. From 1st April 2019, an Empty Homes Premium of up to 100% was agreed to 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% was agreed to be charged on dwellings empty for 5 years or more. From 1st April 2021 an Empty Homes Premium of up to 300% can be introduced on dwellings empty for 10 years or more. This report seeks approval to endorse this latest allowed Empty Homes Premium option of 300% for dwellings empty for 10 years or more from 1st April 2021. This is intended to act as a further incentive to a minority of owners of local properties to bring them back into use.
- 4.6. 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 2021/22.
- 4.7. The Local Council Tax Support Scheme for 2021/22 was approved by Council on 10th December 2020 with no changes from the 2020/21 scheme.
- 4.8. Southend-on-Sea Borough Council introduced additional financial support for care leavers between the ages of 18 and 21 from 1st April 2020. In adopting this scheme, the Council recognised 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 supports 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 cost of introducing this scheme in 2020/21 (in terms of a reduction of band 'D' equivalent in the tax base) to date is £12,000 p.a. These arrangements will remain unchanged for 2021/22.

Implications of COVID-19

- 4.9. The pandemic has had a significant impact on the health of populations and economies right across the world. Our Government has responded to the crisis by providing support to businesses and individuals in a myriad of different ways. A combination of some of these factors, together with the direct local implications of the pandemic, including a reduction in the number of new housing units completed this year and a large increase in the numbers of working age residents who are now eligible for the Local Council Tax Support Scheme (LCTS) has had the direct impact of reducing our local Council Tax Base. Prior to COVID-19, when the overall Council Budget for 2020/21 was approved by Council in February 2020, it was estimated that our local tax base would increase by around 1% in 2021/22. The following paragraphs work through the impact and calculation of the new proposed Council Tax Base for 2021/22.

Calculation of the Council Tax Base

- 4.10. 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).
- 4.11. Adjustments are then made for: -
- Known alterations not shown on the valuation list on the relevant day.
 - Properties exempt from council tax on the relevant day.
 - Any reductions in banding awarded in respect of disabled persons as of the relevant day.
 - Any status discounts granted as they stand on the relevant day.
 - Any estimated changes likely to occur to the base information during the period from the relevant day to 31st March each year.
 - Impacts of the Local Council Tax Support Scheme (LCTS).
- 4.12. Once these adjustments are made to each band, a calculation is then 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.
- 4.13. 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.
- 4.14. The Council Tax base for 2021/22 is therefore: -

	Southend-on-Sea	Leigh-on-Sea
Council Tax Base 2020/21	58,680.94	8,845.24
Council Tax Base 2021/22	58,630.49	8,762.69
Decrease in Tax Base - 2020/21 to 2021/22	(50.45)	(82.55)
% Decrease in Tax Base - 2020/21 to 2021/22	-0.09%	-0.93%

The Council Tax base for Southend-on-Sea has decreased for the first time ever as a direct result of the impact of COVID-19. The main contribution to this reduction is the additional level of eligible LCTS awards that have been made during the year.

Leigh-on-Sea has suffered a disproportionately larger decrease in their tax base, this is due to the level of LCTS awards for the parish being proportionately higher than the rest of the Southend-on-Sea area. Leigh-on-Sea has experienced a 20% increase in the amount of LCTS awarded in their area which equates to the equivalent reduction of 98 band D equivalent properties.

There has been some continued housing growth across the borough with new properties being added to the list, but this has been negated by the level of LCTS awards, combined with the on-going impact of local discounts and exemptions.

- 4.15. The calculation of the Tax Base for 2021/22 is set out in **Appendices A and B**.

5. National Non-Domestic Rating Base (NNDR1 Form to follow)

- 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 C to follow**) was received on 4th January 2021 and at the time of the release of this report was still being finalised. The form is designed to set out 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 Borough Council. There will be a retrospective cash adjustment by Government in the following year based on the actual 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. Given the late release of the form the intention is that it will be completed and presented to the Cabinet meeting scheduled for 14th January 2021. Every attempt will be made to send the completed form (Appendix C) out in advance of the meeting, but it will not be possible for it to be completed in time to accompany the publication of this covering report.

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 our Southend 2050 ambitions, 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 2021/22 to be considered by Council on 25th February 2021.

These figures will be reflected in the budget proposals for 2021/22 and also included in the Council's Medium Term Financial Strategy to 2025/26.

6.3. Legal Implications

There is a statutory duty to approve the Council Tax Base and NNDR1 for 2021/22 and notify precepting authorities and the Government by 31st January 2021.

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 2021/22 and notify precepting authorities by 31st January 2021. In addition, it will also enable the statutory deadline of 31st January 2021 to be achieved for the submission of the NNDR1.

6.9. Value for Money

Under the Government's 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 2020/21
- Local Council Tax Support Scheme approval for 2021/22

8. Appendices

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

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

Appendix C - NNDR1 Form (To Follow)