

Southend-on-Sea City Council

Report of the Deputy Chief Executive and Executive
Director (Finance & Resources)

To

Cabinet

On

12 January 2023

**Agenda
Item No.**

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Resources)

**Council Tax Base and
National Non-Domestic Rating Base 2023/24
Policy & Resources Scrutiny Committee
Cabinet Member: Councilor Stephen George
*Part 1 Public Agenda Item***

1. Purpose of Report

- 1.1. To enable a valid Council Tax level to be determined, the calculation of the Tax Base prior to the commencement of the forthcoming financial year needs to be considered and approved. This report shows how the proposed Council Tax Base for 2023/24 has been calculated.
- 1.2. To consider and approve the National Non-Domestic Rates (NNDR1) form that must be submitted to the Department for Levelling Up, Housing and Communities (DLUHC) by 31 January 2023.

2. Recommendations

That Cabinet approve the following:

In respect of the Council Tax Base:

- 2.1. **The amount calculated by Southend-on-Sea City Council as its Council Tax Base for the financial year 2023/24 shall be set at 59,746.14. (Appendix A)**
- 2.2. **The amount calculated by Southend-on-Sea City Council as the Council Tax Base in respect of Leigh-on-Sea Town Council for the financial year 2023/24 shall be set at 9,135.15. (Appendix B)**

In respect of a change in the qualifying period of Council Tax discount entitlement for vacant properties

- 2.3. From 1 April 2023, Southend-on-Sea City Council reduces the 100% discount available for properties that are unoccupied and unfurnished from one calendar month to 14 days.

In respect that if new legislation receives royal ascent which makes changes to Council Tax for long term empty properties and introduces new second home premiums that:

- 2.4. From 1 April 2024, Southend-on-Sea City Council applies a premium of up to a 100% charge on properties that have been classified as vacant for more than 1 year.
- 2.5. From 1 April 2024, Southend-on-Sea City Council applies a 100% premium charge to properties that are classified as second homes (a furnished property that is not the main residence of any individual).

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

- 2.6. The NNDR1 form for 2023/24 at Appendix C (to follow) be submitted to DLUHC by 31 January 2023.

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 2023/24.
- 3.4. As part of Central Government's extensive 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 confirmed to enable consideration by Cabinet to be achieved in a timely fashion and to meet the statutory 31 January deadline each year. In addition, the Council has delegated the authority to approve the NNDR1 form and the Council Tax Base to the Deputy Chief Executive and 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 31 January each year. If this additional delegation is used, the Deputy Chief Executive and Executive Director (Finance and Resources) will include an explanation in a subsequent report to Council as to why it was not possible for Cabinet to consider and approve the Council Tax base and/or NNDR1 form for submission within the deadline.
- 3.7. The overall details and impact of the Council Tax base calculation and the retained business rates level will be reported to Cabinet and Council as part of the budget setting approval process.

4. Council Tax Base Considerations

- 4.1. The Regulations require the tax base to be based upon the District Valuer's List as of 30 November each year. This figure is then amended for the estimated activity and any changes on the Council Tax base from 1st December to 31st March. An early determination assists the Council and precepting authorities in their financial planning for the following year.
- 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. Council Tax Support is classified as a discount 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 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, to apply council tax discounts for empty dwellings at any level between 0% and 100% and to apply a premium of up to 50% to properties which had been vacant for more than 2 years.

- 4.5. On 5 January 2016, Cabinet approved to implement further changes to uninhabitable, empty and unfurnished properties to come into effect on 1 April 2016, regardless of when any previous discount has been awarded.
- 4.6. In accordance with existing legislation, this report also assumes the continuation of the following previously approved by Southend-on-Sea City Council discounts and premiums for the 2023/24 financial year.
- Properties used as Second Homes (furnished but not an individual's main residence) will continue to receive a 0% discount for the billing year commencing 1 April 2023.
 - Properties that are undergoing major repair works or structural alteration will continue to receive a 0% discount for the billing year commencing 1 April 2023.
 - All properties that have been empty (unfurnished and not the main residence of an individual) for a continuous period of 2 years (period of less than six-weeks are disregarded for this purpose) will continue to be subject to a 100% premium charge for the billing year commencing 1 April 2023.
 - All properties that have been vacant (unfurnished and not the main residence of an individual) for a continuous period of 5 years, but less than 10 years (period of less than six-weeks are disregarded for this purpose) to be subject to a 200% premium charge for the billing year commencing 1 April 2023.
 - All properties that have been vacant (unfurnished and not the main residence of an individual) for a continuous period of 10 years (period of less than six-weeks are disregarded for this purpose) to be subject to a 300% premium charge for the billing year commencing 1 April 2023.
- 4.7. The Local Council Tax Support Scheme for 2023/24 was approved by Council on 15 December 2022 with no changes proposed from the 2022/23 scheme.
- 4.8. Southend-on-Sea City Council introduced additional financial support for care leavers between the ages of 18 and 21 from 1 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 continuing this scheme (in terms of a reduction of band 'D' equivalent in the tax base) is around £15,000. It is proposed that these arrangements remain unchanged for 2023/24.

New In-House Foster Care Offer

- 4.9. On the 8 November 2022, Cabinet approved a new initiative to offer a Council tax exemption up to the value of a Band D property for any Southend-on-Sea City Council in-house foster carer from the 1 April 2023. By adopting this scheme, the Council continues to recognise the vital value and support of our in-house foster carers in looking after our children in care. This new Council tax exemption scheme is part of a wider revised and more attractive remuneration package for our in-house foster carers.

- 4.10. This new Council tax exemption scheme is estimated to cost around £88,000 per annum based on the current number of in-house foster carers. This is reflected by the associated reduction in the Council Tax base calculation for 2023/24. For any in-house foster carer who also lives outside of the borders of Southend-on-Sea, they will also be offered an additional foster care allowance up to the equivalent value of a Band D property in Southend-on-Sea.

Council Tax discount entitlement reduced from 1 calendar month to 14 days

- 4.11. It is proposed that properties that are unoccupied and unfurnished will now receive a reduced 100% discount from the current one calendar month to 14 days. This must also be implemented immediately when the property first meets the criteria, and any subsequent awards to the property can only be considered after the property has been occupied for a minimum continuous six-week period.

New legislation currently going through Parliament

- 4.12. On first reading of this new legislation (Levelling-up and Regeneration Bill), which was last updated on 16 December 2022, it suggests that a premium charge for Council Tax could be applied to second homes and the long-term empty premium charge will be allowed to apply after a property has been empty for 1 year rather than 2 years. This legislation is currently at its third reading stage within the House of Commons, and therefore still requires Royal Assent and will require formal adoption of and changes locally. This report seeks approval from Cabinet to implement from 1 April 2024 a premium charge of up to 100% on properties that have been empty for more than 1 year and a 100% premium charge to properties that are classified as second homes (a furnished property that is not the main residence of any individual).

Calculation of the Council Tax Base

- 4.13. 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, on 30 November each year (the relevant day).
- 4.14. Adjustments are then made for: -
- (a) 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 (LCTS).

- 4.15. Once these adjustments are made to each band, a calculation is then undertaken 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 that is then for tax setting purposes.
- 4.16. 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 approach must be applied to both calculations.
- 4.17. The Council Tax base for 2023/24 is therefore: -

	Southend-on-Sea	Leigh-on-Sea
Council Tax Base 2022/23	59,086.74	8,890.46
Council Tax Base 2023/24	59,746.14	9,135.15
Increase in Tax Base - 2022/23 to 2023/24	659.40	244.69
% Increase in Tax Base - 2022/23 to 2023/24	1.12%	2.75%

- 4.18. The calculation of the Council Tax Base for 2023/24 is set out in **Appendices A and B** and is based on the locally defined discount data referred to within this report.

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 **(Appendix C – To Follow)** calculates 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 City Council. There will then be a retrospective cash adjustment by Government in the following financial 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 is updated each year. At the time of writing this report, whilst the initial form has been received, it has coincided with a national NNDR revaluation year. The team are currently working through implementing the new rateable values to try to accurately predict the anticipated non-domestic rate income collectable for Southend-on-Sea City Council. Every effort will be made to complete the form in sufficient time to allow it to be completed and submitted to the Cabinet meeting scheduled for 12 January 2023. If this is not possible then the report seeks approval for the Deputy Chief Executive and Executive Director (Finance and Resources) to use his delegated authority to ensure that it is returned by the statutory deadline, and then provide an appropriate report back to Cabinet/Council.

6. Corporate Implications

- 6.1. Contribution to the Southend-on-Sea City Council Corporate Plan (2022-2026) and 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 approved 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, corporate plan 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 2023/24 which is scheduled to be considered by Council on 23 February 2023. These calculations will be reflected in the budget proposals for 2023/24 and included in the Council's Medium Term Financial Strategy to 2027/28.

- 6.3. Legal Implications

There is a statutory duty to approve the Council Tax Base and NNDR1 for 2023/24 and notify precepting authorities and the Government by 31 January 2023.

- 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 2023/24 and notify precepting authorities by 31 January 2023. In addition, it will also enable the statutory deadline of 31 January 2023 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 considerations 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 2022/23
- Local Council Tax Support Scheme approval for 2023/24

8. Appendices

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

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

Appendix C - NNDR1 Form (To Follow)