

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive
To
Cabinet

On
19 January 2017

Report prepared by: Joe Chesterton
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Council Tax Base and National Non Domestic Rating Base 2017/18

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 2017/18.
- 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 2017.

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 2017/18 approved by Council on 15 December 2016, 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 2017 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. If Class D is applicable then there is no entitlement to Class C;**

That the further discounts and exemptions that were approved by Council on 13 December 2012 will remain unchanged from 1 April 2017 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 2017/18 shall be 56,917.61;

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 2017/18 shall be 8,717.19;

In respect of the Non-Domestic Rates Base (NDR1 Form)

2.4 That Cabinet note it will be necessary for the Director of Finance and Resources, in conjunction with the Leader of the Council, to approve the NDR1 form for submission to the DCLG, in line with previous delegated approval, and that 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 own delegation.

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 2017/18.
- 4.6 It was agreed by Council on 15 December 2016 that there should be the following changes to the existing Local Council Tax Support Scheme for Southend-on-Sea;
- Removal of the family premium
 - Withdrawal of housing benefit where a person leaves the UK for 4 weeks or more. This is currently 13 weeks.
 - A restriction to 2 children on living allowances used in the calculation of support
 - Removal of the work related component within employment support allowance

These changes were made to match the changes that have happened or are due to happen within Housing Benefit regulations and ensure consistency of assessment between the two schemes.

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 2017/18 is therefore:-

	Southend-on-Sea	Leigh-on-Sea
Council Tax Base 2016/17	55,701.27	8,645.94
Council Tax Base 2017/18	56,917.61	8,717.19
Increase/(Decrease) in Tax Base 2016/17 to 2017/18	1,216.34	71.25
Percentage Increase/(Decrease) in Tax Base 2016/17 to 2017/18	2.18%	0.82%

The Council Tax base for Southend-On-Sea has increased as a result of a combination of a number 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 (NDR1 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 NDR1 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 NDR1 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 21 December 2016 and we have been advised that this is the final version to use for 2017/18. However, it is possible that the DCLG may alter this initial form as late as January.

5.4 Subsequent to the issue of the 2017/18 NDR1 by DCLG on the 21 December 2016, our Council Tax and Business Rates software provider Northgate has provided advice to its 200 plus users in English Local Authorities. They have advised that due to the late issuance of the form and the lack of dialogue from the DCLG to software providers on the technical changes needed that the required updated version of the software to run the NDR1 form will not be available until possibly as late as the 31 January 2017.

5.5 This will mean that the delegation allowing the Director of Finance and Resources, in conjunction with the Leader, to approve the form prior to submission will need to be invoked this year. The NDR1 must be submitted to DCLG by 31 January 2017. If this is the case then the completed form if available in time will be presented to Scrutiny Committees as appropriate.

5.6 In the meantime, finance officers have had to do an estimated calculation of business rates income to prepare the draft budget for 2017/18. This estimate shows the Council's share of business rates income and associated s31 grants in relation to small business rate relief and other reliefs to business funded directly by Government, and after adjusting for prior years, of £21.464m. This estimated lower yield against the assessment in the current Medium Term Financial Strategy of £22.597m arises from a combination of the April 2017 business rates revaluation and the lower rate in the £, as set by Government. The Council holds a specific Business Rates Retention (BRR) earmarked reserve to protect against fluctuations in the Council budget and this is being used to set the 2017/18 draft revenue budget.

5.7 Once the NDR1 form is complete there may be a need to reflect a further adjustment in the final budget for 2017/18 by utilization of the required sum from the BRR reserve. In addition, the Council receives a Business Rates Retention Top-up Grant.

6. Corporate Implications

6.1 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 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 NDR1 will be included in the budget and council tax report for 2017/18 to be considered by Council on 23 February 2017.

These figures will be reflected in the budget proposals for 2017/18 and the Medium Term Financial Strategy.

6.3 Legal Implications

There is a statutory duty to approve the Council Tax Base and NDR1 for 2017/18 and notify precepting authorities by 31 January 2017.

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 2017/18 and notify precepting authorities by 31 January 2017. In addition, it will also enable the statutory deadline of 31 January 2017 to be achieved for the submission of the NDR1.

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 2016/17

8. Appendices

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

Appendix B – Council Tax base calculation – Leigh Town Council