

Agenda Item No.



**Council Tax Base and National Non-Domestic Rates
Base Setting 2024/25**

Title:

Meeting:

Cabinet

Date:

11 January 2024

Classification:

Part 1

Policy Context:

All corporate priorities

Key Decision:

Yes

Executive Director:

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Report Authors:

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Executive Councillor:

Councillor Cox, Leader and Cabinet Member for SEND

1. Executive Summary

- 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 2024/25 has been calculated.
- 1.2. To consider and approve the National Non-Domestic Rates (NNDR1) return that must be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) by 31 January 2024. **(Return to follow)**
- 1.3. To review and approve an updated Southend-on-Sea City Council's Non-Domestic Rates Discretionary Rate Relief Policy to be implemented from 1 April 2024.

2. Recommendations

That Cabinet approves:

- 2.1. 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):
- 2.2. The **2024/25 Council Tax Base** will be set as follows:
- | | | |
|------------------------------|------------------|---------------------|
| Southend-on-Sea City Council | 60,409.19 | (Appendix A) |
| Leigh-on-Sea Town Council | 9,017.50 | (Appendix B) |
- 2.3. The continuation of the locally defined discounts for the 2024/25 financial year commencing **1 April 2024**. (**Paragraphs 4.12 (i – vi), 4.13 and 4.14**)
- 2.4. Following the guidance issued by the secretary of state, the implementation of a **100% premium charge**, payable from **1 April 2024** for properties that have been vacant (unoccupied and unfurnished) for a continuous period of one year.
- 2.5. The implementation of a **0%** discount for vacant dwellings (properties that are unoccupied and substantially unfurnished) for the billing year commencing **1 April 2024**.
- 2.6. Following the guidance issued by the secretary of state, the implementation of a **100% premium charge**, payable from **1 April 2025** for properties that are classified as second homes (furnished but not the main residence of any individual).
- 2.7. The National Non-Domestic Rates Base for 2024/25, to be submitted to Department of Levelling Up, Housing & Communities (DLUHC). The NNDR1 return for 2024/25 (**to follow**) will be presented at **Appendix C**.
- 2.8. The updated Non-Domestic Rates Discretionary Rate Relief Policy presented at **Appendix D**.

3. Background Information

- 3.1. The Council Tax Base is calculated as the number of band D equivalent properties/dwellings for each local authority. 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 within the period 1st December to 31st January.
- 3.3. The Council is also required to calculate a tax base for the Leigh-on-Sea Town Council. The Town Council has been notified of their indicative Council Tax base and potential precept, to support the preparation of their budget for 2024/25. Following Cabinet's approval, they will be formally notified of the Council's decision in respect of the final Tax Base for 2024/25.
- 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.
- 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 13 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 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 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. 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. The Council's Non-Domestic Rates Discretionary Rate Relief Policy has not been reviewed for several years and given the scale of the financial challenges that have been experienced right across the local government sector it is now appropriate that this local discretionary policy is refreshed and updated.

- 3.8. Details of the tax base calculation, the retained business rates level and estimated saving from the proposed changes to the Council's Non-Domestic Rates Discretionary Rate Relief Policy will be reported to Cabinet and Council as part of the budget setting process.

4. Reasons for Decisions

- 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 on the Council Tax base from 1 December to 31 March. An early determination assists the Council and all precepting authorities with 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 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. unoccupied 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, and this came into effect on 1 April 2016, regardless of when any previous discount has been awarded.
- 4.6. Since 1 April 2019, Local Authorities in England have had the choice to apply a premium of up to 100% on properties that had been vacant for more than 2 years.
- 4.7. Since 1 April 2020, Local Authorities in England have had the choice to apply a premium of up to 200% on properties that had been vacant for more than 5 years.

- 4.8. Since 1 April 2021, Local Authorities in England have had the choice to apply a premium of up to 300% on properties that had been vacant for more than 10 years.
- 4.9. From 1 April 2024, Local Authorities in England will have the opportunity to apply a premium of up to 100% on properties that had been vacant for more than 1 year.
- 4.10. From 1 April 2025, Local Authorities in England will have the choice to apply a 100% premium charge to properties that are classified as second homes (a furnished property that is not the main residence of any individual). It was initially anticipated that this would have been applicable from 1 April 2024, however, the required legislation only received Royal Assent in October 2023 and the charge requires approval with at least one year's notice provided and can only commence at the beginning of a new financial year.
- 4.11. The Local Council Tax Support Scheme for 2024/25 was approved by Council on 14 December 2023.
- 4.12. This report seeks approval to endorse the following current locally defined discounts for the 2024/25 financial year:
- i) 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 2024.
 - ii) Properties that are undergoing major repair works or structural alteration will continue to receive a **0% discount** for the billing year commencing 1 April 2024.
 - iii) Properties that are vacant (unoccupied and unfurnished) will receive a **0% discount** for the billing year commencing 1 April 2024. This is a change from 2023/24 where previously a **100% discount** was applied for a maximum period of up to 14 days.
 - iv) All properties that have been vacant (unfurnished and not the main residence of an individual) for a continuous period of one year, but less than five years (period of less than six-weeks are disregarded for this purpose) will be subject to a **100% premium charge** for the billing year commencing 1 April 2024. This is a change from 2023/24 where previously a 100% premium was applied to properties that had been vacant for a continuous period of two years (and less than five years).

- v) All properties that have been vacant (unfurnished and not the main residence of an individual) for a continuous period of five years, but less than ten years (period of less than six-weeks are disregarded for this purpose) will be subject to a **200% premium charge** for the billing year commencing 1 April 2024.
 - vi) All properties that have been vacant (unfurnished and not the main residence of an individual) for a continuous period of ten years (period of less than six-weeks are disregarded for this purpose) will continue be subject to a **300% premium charge** for the billing year commencing 1 April 2024.
- 4.13. 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.
- 4.14. 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 £60,000 (£15,000 per annum). **These arrangements will remain unchanged for 2024/25.**
- 4.15. The Council introduced a discount for Foster Carers in the 2023/24 financial year, at the time of producing this report a total of 24 discounts have been applied to individuals at a cost of £40,000. **These arrangements will remain unchanged for 2024/25.**
- 4.16. The updated Non-Domestic Rates Discretionary Rate Relief Policy is estimated to streamline and clarify the application process and generate a saving for the Council. The key headline changes to the policy are as follows:
- i) Limiting the award of relief to one business premise for each organisation.
 - ii) The inclusion of a condition that the business premise for which relief is sought has been obtained by an organisation at a fair market rental value.
 - iii) The exclusion of relief for business premises where the principal use is storage.
 - iv) The exclusion of relief for business premises that qualify for Retail Relief.

4.17. It is estimated that the proposed Non-Domestic Rates Discretionary Rate Relief Policy changes will reduce the level of award for total relief in the 2024/25 financial year by circa £128,000 (Based on 2023/24 - £180,000 to £52,000). It is anticipated that many of the organisations that will be affected by the proposed change in policy will be able to benefit from alternative rating reliefs, such as Retail Relief, which is currently fully funded by central government, rather than by local taxpayers. Following a review of the range of properties currently occupied by these organisations, it is estimated that circa £94,000 of the £128,000 discretionary rate relief loss will be covered by currently government funded reliefs for these organisations. The total financial impact across these organisations is therefore projected to be around a £34,000 loss but would generate a saving of circa £60,000 to the Council.

5. Calculation of the Council Tax Base

- 5.1. The detailed calculation of the local 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).
- 5.2. Adjustments are then made for:
- i) Known alterations not shown on the valuation list on the relevant day.
 - ii) Properties exempt from council tax on the relevant day.
 - iii) Any reductions in banding awarded in respect of disabled persons as of the relevant day.
 - iv) Any status discounts granted as they stand on the relevant day.
 - v) Any estimated changes likely to occur to the base information during the period from the relevant day to 31st March each year.
 - vi) Impacts of the Local Council Tax Support Scheme (LCTS).
- 5.3. 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.

5.4. 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.

5.5. The Council Tax base for 2024/25 and change from 2023/24 is therefore:

	Southend-on-Sea	Leigh-on-Sea
Council Tax Base 2023/24	59,746.14	9,135.15
Council Tax Base 2024/25	60,409.19	9,017.50
Increase / (Decrease)	663.05	(117.65)
Increase / (Decrease) (%)	1.11	(1.29)

5.6. Leigh-on-Sea reflects a decrease in base in comparison to last year due to a significant increase in the discount and exemptions that have been provided to residents in this area in the last financial year.

5.7. The calculation of the Tax Base for 2024/25 is set out in **Appendices A and B** and is based on the locally defined discount data referred to within this report.

6. National Non-Domestic Rating Base (NNDR1 Return)

6.1. 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.

6.2. The NNDR1 return (**To Follow as Appendix C**) 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 actual final position for the financial year in question.

6.3. The NNDR1 return is in a defined format set by Government and changes from year to year. Prior to submission, it must be approved by the Executive Director (Finance and Resources) who under their delegated authority ensure it is returned by the statutory deadline, and subsequently reported to Cabinet.

- 6.4. As 2023 is a revaluation year, new rateable values must be implemented in order to accurately forecast the local level of non-domestic rate income. The intention is that the return will be reviewed in sufficient time to allow it to be submitted to the Cabinet meeting scheduled for 11 January 2024.

7. Other Options

- 7.1. This is a report notifying members of the current position of the Council's taxbase calculations, and therefore there are no other options.

8. Financial Implications

- 8.1. The financial implications of the approved Council Tax Base and NNDR1 return will be included in the budget and council tax report for 2024/25, which will be considered by Council on 22 February 2024. These figures will be reflected in both the budget proposals for 2024/25 and the Council's Medium Term Financial Strategy to 2028/29.
- 8.2. 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 2024/25 and notify precepting authorities by 31 January 2024. In addition, it will also enable the statutory deadline of 31 January 2024 to be achieved for the submission of the NNDR1 return.
- 8.3. Approval and implementation of the updated Non-Domestic Rates Discretionary Rate Relief Policy is estimated to **save the Council circa £60,000 in 2024/25** and this saving will form part of the overall draft Budget Proposals, that are reported elsewhere on this Cabinet meeting's agenda.

9. Legal Implications

- 9.1. There is a statutory duty to approve the Council Tax Base and NNDR1 return for 2024/25 and notify precepting authorities and the Government by 31 January 2024.

10. Carbon Impact

- 10.1. None.

11. Equalities

- 11.1. None.

12. Consultation

- 12.1. None required.

13. Background Papers

- 13.1. Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended by the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003).
- 13.2. Local Government Finance Act 2012 (Calculation of billing authority's council tax base Section 15).
- 13.3. Valuation List for the Billing Authority area.
- 13.4. CTB1 Return for 2023/24.
- 13.5. Local Council Tax Support Scheme approval for 2024/25.

14. 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 Return **(To follow)**.

Appendix D: Updated Discretionary Rate Relief Policy

Report Authorisation

This report has been approved for publication by:

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	14/12/23
Monitoring Officer	Kim Sawyer	19/12/23
Executive Director	Joe Chesterton	14/12/23
Cabinet Member	Councillor Cox	03/01/24