

Report to: Cabinet

Date: 9 December 2021

Title: Council Tax Base and Non-Domestic Rates income for 2022/23

Report of: Homira Javadi, Chief Finance Officer

Cabinet member: Councillor Zoe Nicholson, Leader of the Council, Cabinet Member for Finance and Assets

Ward(s): All

Purpose of report: To approve the Council Tax Base and net yield from Business Rate Income for 2022/23 in accordance with the Local Government Finance Act 1992.

Decision type: Key Decision

Officer recommendation(s):

- i) Agree the provisional Council Tax Base of 36,726.6 for 2022/23 for the whole area and that the Council Tax Base for each of the Town and Parish areas of the District shall be as set out in Appendix 2 of this report
- ii) Agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance and Assets, determine the final amounts for the Council Tax Base for 2022/23.
- iii) Agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance and Assets, determine net yield from Business Rate income for 2022/23.

Reasons for recommendations: Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2022/23 Council Tax

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1. Introduction

- 1.1. The Council is required to set its Council Tax Base for the forthcoming year. This calculation is used as the basis for the amount of income the Council will precept from the Collection Fund.
- 1.2. The Local Authorities (Calculation of Council Tax Base) Regulations 1992 prescribe that the billing authority (this council) must supply the precepting authorities (the County, Police and Fire authorities) with the calculation of the Council Tax Base. This information must be supplied between 01 December and 31 January in the financial year preceeding the financial year for which the calculation is being made.
- 1.3. Non-Domestic Rating (Rates Retention) Regulations 2013 also sets out a timetable for informing the Government and precepting authorities of the business rate income calculation. This information is completed via a Government return (NNDR1) which must be submitted by 31 January in the financial year proceeding the financial year for which the calculation is being made.
- 1.4. In order to assist the precepting authorities with their financial planning it is helpful to provide the information during December rather than wait for the January deadline.

2. Council Tax Base 2022/23

- 2.1. The Council Tax Base is the estimated full year equivalent number of chargeable dwellings. This is expressed as the equivalent number of Band D dwelling with two or more liable adults.
- 2.2. In making this estimate, account must be taken of discounts, disabled relief and property exemptions. Movements on and off the valuation list during the year must also be taken into account – e.g. where new properties have been built or old ones converted or demolished.
- 2.3. The basic calculation as determined by primary legislation is that the Council arrives at it's Council Tax Base by multiplying its Relevant Amount by its estimated Collection Rate.

3. Relevant amount

- 3.1. The Relevant Amount for each Band is the estimated full year equivalent number of chargeable dwellings in the Band expressed as equivalent number of Band D dwellings. The Government's Valuation Office assesses the relative value of each property with the borough and places it in one of the eight bands. A conversion factor is then applied to each band in order to obtain the equivalent number of Band D property as set out below

Band	Valuation (at 1 April 1991)	Conversion Factor as proportion of Band D
A	Less than £40,000	6/9
B	£40,001 - £52,000	7/9
C	£52,001 - £68,000	8/9
D	£68,001 - £88,000	9/9
E	£88,001 - £120,000	11/9
F	£120,001 - £160,000	13/9
G	£160,001 - £320,000	15/9
H	Over £320,001	16/9

3.2 Deductions are made to the aggregate number of properties in each band in respect of various discounts such as empty properties and single persons. An adjustment is also made to reflect the impact of the Council Tax Reduction Scheme.

3.3 The results for each Band are then added together to arrive at the overall Band D or Relevant Amount. For 2022/23 this totals 37,862.5 equivalent properties.

3.4 The Relevant Amount has increased by 148 (0.39%) Band D equivalent dwellings from 2021/22. This is the net impact of changes in the total number of properties, discounts and Council Tax Reduction Scheme.

4. Collection Rate

4.1. The Collection Rate is the Council's estimate of the proportion of the overall Council Tax collectable for 2022/23 that will ultimately be collected.

4.2. The key elements in making this calculation are losses on collection, appeals against valuation, changes in circumstances (e.g. application for discounts in respect of single person's occupancy or disability) and other adjustments. These other adjustments to bills can arise for a variety of reasons including bankruptcy, death and exemptions, plus an allowance for uncollectable debts.

4.3. The current level of Council Tax collection is forecast to show an in-year surplus balance of £3.67 million at the end of 2021/22, and this would indicate that the current collection rate of 97.34% is too high and should be adjusted downwards to 97.00% going forward.

5. Council Tax Base

- 5.1. Taking the Relevant Amount of 37,862.5 and applying the Collection Rate of 97.0% produces a Council Tax Base for 2022/23 of 36,726.6.
- 5.2. The Council Tax Base has increased by 0.04% compared with 2021/22. This is equivalent to an increase of 15.2 Band D dwellings. The detailed number of properties is shown at Appendix 1.
- 5.3. The Council's Medium Term Financial Strategy is updated annually to take account of movement in the Council Tax Base. The assumed tax base for the current MTFs was 36,711.4. Therefore, an increase of 15.2 properties would equate to an increase in Council Tax income of £3k based on the current Band D Council Tax charge of £214.53.

6. Town and Parish Council's Tax Base

- 6.1. Cabinet is recommended to approve the constituent parts for the total tax base relating to Town and Parish Councils shown at Appendix 2. These will be used to calculate the Special Expenses Council Tax amounts for 2022/23, as well as the council tax requirement for each Town and Parish Council to meet their own budget (precept) requirements. The Towns and Parishes will be advised of these individual tax bases following this meeting in order that each can assess the impact of the precept in its area.

7. Business rate income

- 7.1. The Local Government Finance Act 2012 introduced a new system for the local retention of business rates. This means that the Council is required to formally approve the expected business rate income for the forthcoming year. The estimate for the 2022/23 financial year must be approved by 31 January 2022.
- 7.2. The Business Rate income is collated on the Government's National Non-Domestic Rates (NNDR1) form which shows the net rate income yield for the central and local shares of the business shares of the business rates. The actual NNDR1 form and guidance notes have not yet been received.
- 7.3. The net business rate yield is calculated using the total expected gross income by multiplying the Rateable value by the nationally set multipliers (for 2021/22 these are 51.2p standard and 49.9p for small businesses). These multipliers are uplifted annually by the September CPI rate which was 3.1%, but this increase is still to be confirmed by Government and rates may be frozen. This gross yield is then adjusted for mandatory and discretionary reliefs, an allowance for cost of collection, adjustment for changes in Rateable Value due to growth or reduction in property numbers, estimated losses on collection and an allowance for appeals.

- 7.4. The resulting calculation is the net business rate yield which is shared as follows:
- 50% to Central Government
 - 40% to Local Billing Authority (this council)
 - 9% to the County
 - 1% to the Fire Authority.
- 7.5. The local share is then payable to the Council's General Fund. All other adjustments to the overall level of Business rate income are then accounted for within the General Fund.
- 7.6. The final amount of business rates income retained by the Council is adjusted by deduction tariff and levy payments.
- 7.7. The system of tariff or top up is to redress the balance of Business Rate income nationally to ensure that no local authority is worse off as a result of business rate income at the outset of the rates retention scheme in 2013. This authority currently makes a tariff payment, and information on the level of tariff payment will be announced as part of the Government grant settlement figures.
- 7.8. Levy payments allow authorities to retain a proportion their growth. The levy has been set at 50% of the growth over the baseline allowance set by Government.
- 7.9. On 1 April 2017, an Enterprise Zone (EZ) was established for a defined area of Newhaven. Non-domestic properties within the EZ are eligible for business rates discounts, the cost of which will be reimbursed to the Council by government grant. The Council will retain the benefit of growth in the business rates base arising from businesses expanding within or relocating to the EZ for reinvestment in Newhaven, as agreed with the Local Economic Partnership (LEP) and the EZ's Strategic Board.
- 8. Setting the Business Rate Income**
- 8.1. As the final figures required to set the Business Rates Income are not yet available, Cabinet is asked that delegated authority be given to the Chief Finance Officer, in consultation with the Portfolio Holder for Finance.
- 9. Business Rate Pooling**
- 9.1. The Council is working within a Business Rate Pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as level to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.
- 9.2. In recognition of the current economic climate and the impact Covid-19 is having on businesses, no redistribution from the Pool has been assumed for 2022/23.

10. Collection Fund Performance

- 10.1. As at 31 March 2021 the Collection Fund showed a deficit of £6,287,622 (£2,049,339 Council Tax surplus and £8,336,961 Business Rates deficit). A net £1,846,480 is being recovered from Council Tax and Business Rates preceptors during 2021/22, leaving a balance to be recovered in 2022/23.
- 10.2. The Council has to estimate the overall surplus/deficit at 31 March 2022 and inform precepting authorities in January 2022 of this estimate in order that the amount is included in the 2022/23 precept figures.
- 10.3. Current monitoring figures indicate a surplus by 31 March 2022 of £3,668,579 for Council Tax; this will be revisited in January and the results reported to members as part of the budget report to the February Cabinet. Any surplus or deficit is allocated to preceptors in 2022/23 in proportion to the 2021/22 Band D Council Tax. For Lewes this represents a 9.80% share of the total.
- 10.4. The calculation on the Business Rate income element of the Collection Fund currently indicates a deficit balance of £4,148,769 (excluding s31 grant relief). Any surplus or deficit is allocated in 2022/23 in accordance with the proportions given at paragraph 7.4 above.

11. Outcome expected and Performance Management.

- 11.1. Once the Council Tax Base and the estimate balance on the Council Tax element of the Collection Fund has been determined, East Sussex County Council, Sussex Police and Crime Commissioner and East Sussex Fire Authority will be notified.
- 11.2. Once the NNDR1 for 2022/23 has been completed and the estimated balance on the Business Rate element of the Collection Fund has been determined, this will be submitted to Central Government and both East Sussex County Council and East Sussex Fire Authority will be notified.
- 11.3. Council Tax and Business Rates income and payments to precepts are accounted for in the Collection Fund which is regularly monitored and reported to members as part of the quarterly performance monitoring report.

12. Financial appraisal

- 12.1. The Council Tax Base will be used to calculate the level of Council Tax requirement that will be recommended to the Council on 21 February 2022.
- 12.2. The net yield from Business Rates income will be used to calculate the amount of retained Business Rates to be credited to the General Fund.

13. Legal implications

13.1. The Council Tax Base must be calculated in accordance with the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) Regulations 2012.

13.2. Under these regulations, the billing authority (this council) is required to calculate its Council Tax base by 31 January for the next financial year and inform all its preceptors of this calculation.

The legislation further provides that, where a billing authority fails to notify each of the major precepting authorities of this calculation, it can be determined by those precepting authorities on the basis of all the information available and with reference to the preceding year's amount.

13.3 It is a requirement of the Non-Domestic Rating (Rates Retention) Regulations 2013 for the billing authority (this council) to notify DLUHC and precepting authorities of its calculation of expected rate income by 31 January preceding the commencement for the next financial year.

If the billing authority fails to comply with this requirement the Secretary of State may make the calculation instead and inform precepting authorities of the calculation.

14. Risk management implications

14.1. If the Council did not set a Council Tax Base this can be imposed by the precepting authorities with the potential that an incorrect Band D Council Tax could be set. This would have implications for the Council Tax income for the Preceptors, Parishes and Town Councils, this Council and the performance of the Collection Fund.

15. Equality analysis

15.1. There are no equality implications to this report.

16. Conclusion

16.1. The provisional Council Tax Base for 2022/23 has been calculated in accordance with the relevant legislation. Summary calculations are set out within the attached appendix.

16.2. The figures required to set the Business Rate Income are not yet available as the NNDR1 form and guidance notes have not yet been received from the DLUHC.

16.3. It is recommended that delegated authority be given to the Chief Finance Officer, in consultation with the Portfolio holder for Finance and Assets, to agree the final figures for both calculations.

17. Appendices

- Appendix 1 – Summary of property numbers and Council Base Calculation.
- Appendix 2 – Total tax base for Town and Parish Councils.

18. Background papers

The background papers used in compiling this report were as follows:

- Local Government Finance Act 1992
- The Local Authorities (Calculation of Council Tax Base) Regulations 2012
- The Non-Domestic Rating (Rates Retention) Regulation 2013
- Calculation of Council Tax Base – CTB (October 2021) form.