

Report to:	Cabinet
Date:	13 December 2023
Title:	Council Tax Base and Non-Domestic Rates Income for 2024/25
Report of:	Homira Javadi, Director of Finance and Performance
Cabinet member:	Councillor Robin Maxted, Cabinet Member for Finance & Resources
Ward(s):	All
Purpose of report:	To approve the Council Tax Base and net yield from Business Rate Income for 2024/25 in accordance with the Local Government Finance Act 1992.
Decision type:	Key Decision
Officer recommendation(s)	<p>(1) Agree the provisional Council Tax Base of 35,687.2 for 2024/25</p> <p>(2) Agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Financial Services, determine the final amounts for the Council Tax Base for 2024/25.</p> <p>(3) Agreed that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine net yield from Business Rate income for 2024/25.</p>
Reasons for recommendations:	Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2024/25 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 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 1 December and 31 January in the financial year proceeding 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 preceding the financial year for which the calculation is being made.
- 1.4 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 2024/25

- 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 considered – 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 its 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 the 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	12/9
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 2024/25 this totals 36,602.3 equivalent properties.

3.4 The Relevant Amount has increased by 140.7 (0.39%) Band D equivalent dwellings from 2023/24. This is the net impact of increases in the total number of properties, less increased discounts and increases in the 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 2024/25 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 deficit balance of £537k at the end of 2023/24. With the cost-of-living crisis and the country facing a longer recession, bad debt provisions are currently under review and may need to be increased. The 2024/25 collection rate is 97.5% an increase on the current rate of 96.8%.

4.4 It should be noted that, under accounting regulations brought in by Government in response to Covid-19, deficits can be spread over three financial years from 2021-2024 in respect of 2020/21 deficits.

5 Council Tax Base

3.1 Taking the Relevant Amount of 36,602.3 and applying the Collection Rate of 97.5% produces a Council Tax Base for 2024/25 of 35,687.2.

- 3.2 The Council Tax Base has increased by 1.11% compared with 2023/24. This is equivalent to an increase of 392 Band D dwellings. The detailed number of properties is shown at Appendix 1.
- 3.3 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 35,294.8, therefore this would represent an increase in assumed Council Tax income of £106k based on the current Band D Council Tax rate of £269.68.

6 Business Rate Income

- 4.1 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 2024/25 financial year must be approved by 31 January 2024.
- 4.2 The Business Rate income is collated on the Government's 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.
- 4.3 The net business rate yield is calculated using the total expected gross income by multiplying the Rateable value by the nationally set multipliers (for 2023/24 these are 51.2p standard and 49.9p for small businesses). These multipliers are uplifted annually by the September CPI rate which was 6.7% (Sept 2023), but this increase is still to be confirmed by Government and rates may remain 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.
- 4.4 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
- 4.5 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.
- 4.6 The final amount of business rates income retained by the Council is adjusted by deduction tariff and levy payments.
- 4.7 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.

- 4.8 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 Setting the Business Rate Income

- 7.1 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.

8 Business Rate Pooling

- 8.1 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 Collection Fund Performance

- 9.1 As at 31 March 2023 the Collection Fund showed a net deficit of £5,197,420 (£1,247,147 Council Tax surplus and £6,444,567 Business Rates deficit). A £3,900,695 deficit is currently being recovered across Council Tax and Business Rates preceptors during 2023/24, leaving a balance of £1,296,725 to be recovered in 2024/25.
- 9.2 The Council has to estimate the overall surplus/deficit at 31 March 2024 and inform precepting authorities in January 2024 of this estimate in order that the amount is included in the 2024/25 precept figures.
- 9.3 Current monitoring figures indicate a deficit by 31 March 2024 of £537,215 for Council Tax; this will be revisited in January 2024 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 2024/25 in proportion to the 2023/24 Band D Council Tax. For this council this represents a 11.7% share of the total.
- 9.4 The calculation on the Business Rate income element of the Collection Fund currently indicates a deficit balance of £5,187,923 (excluding any reliefs funded by s31 grant). Any surplus or deficit is allocated in 2024/25 in accordance with the proportions given at paragraph 6.4 above.

10 Outcome expected and Performance Management

- 10.1 Once the Council Tax Base and the estimate balance on the Council Tax element of the Collection Fund has been determined, East Sussex Council, Sussex Police and Crime Commissioner and East Sussex Fire Authority will be notified.

10.2 Once the NNDR1 2023/24 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.

10.3 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.

11 Financial appraisal

11.1 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 2024.

11.2 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.

12 Legal Implications

12.1 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.

12.2 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.

12.3 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.

12.4 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 of the next financial year.

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

13 Risk Management Implications

13.1 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, this Council and the performance of the Collection Fund.

14 Equality analysis

14.1 There are no equality implications in this report.

15 Conclusion

15.1 The provisional Council Tax Base for 2024/25 has been calculated in accordance with the relevant legislation. Summary calculations are set out within the attached appendix.

15.2 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.

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

16 Appendices

- Appendix 1 – Summary of property numbers and Council Base Calculation

17 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 1992
- The Local Authorities (Calculation of Council Tax Base) (Amendment) Regulations 2003
- Non-Domestic Rating (Rates Retention) Regulation 2013
- Calculation of Council Tax Base – CTB (October 2023) form.

Appendix 1 Summary of property numbers and Council Base Calculation

Council Tax Base Year on Year Comparison	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
NUMBER OF DWELLINGS						
Valuation List at November	47,841	48,077	48,080	48,368	48,539	48,611
Less: Discounts equated to properties	(4,989)	(4,891)	(4,956)	(4,986)	(5,073)	(5,085)
Total Equivalent Property Number	42,852	43,186	43,124	43,382	43,466	43,527
Estimated Changes in the year	165	20	183	109	184	230
Less: Less Council Tax Reduction Scheme	(5,330)	(5,067)	(5,115)	(4,953)	(4,730)	(4,657)
Total Number of Properties	37,687	38,139	38,192	38,538	38,920	39,100
% increase/(decrease)	N/A	1.2%	0.1%	0.9%	1.0%	0.5%
TAXBASE CALCULATION						
Relevant Amount (Band D Equivalent)	35,384.5	35,742.2	35,777.3	36,179.5	36,461.6	36,602.3
% Collection Rate	98.25%	97.50%	96.52%	96.06%	96.80%	97.50%
Council Tax Base	34,765.3	34,848.6	34,532.2	34,754.0	35,294.8	35,687.2
% growth/(reduction)	N/A	0.24%	-0.91%	0.64%	1.56%	1.11%

