

COUNCIL

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| DATE | 14th December 2023 |
| REPORT OF | Councillor Stephen Harness, Portfolio Holder for Finance, Resources and Assets |
| RESPONSIBLE OFFICER | Sharon Wroot, Executive Director – Place and Resources |
| SUBJECT | Calculation of the Council Tax Base for 2024/25 |
| STATUS | Open |
| FORWARD PLAN REF NO. | CB 12/23/01 |

CONTRIBUTION TO THE COUNCIL PLAN / STRATEGIC AIMS

The Council has a statutory duty to set its Council Tax base on an annual basis. The revenue raised from Council Tax is used to finance the Council's priorities and aims.

EXECUTIVE SUMMARY

North East Lincolnshire Council has the power in statute to raise a tax on households in its area to pay for the provision of local services. It is designated as the billing authority for the area. This means that it is responsible for levying a Council Tax to meet its own demands and to meet the precepts other authorities in the area.

This report also outlines the proposed Council Tax Support Scheme (CTSS) for the forthcoming year. The setting of the CTSS plays a key role in calculating the tax base in calculating the likely scheme spend and the impact on the wider financial planning process.

RECOMMENDATIONS

That Full Council:

- 1) Supports the proposed Council Tax Support Scheme for 2024/2025 which maintains the maximum discount of 65% for all working age residents.
- 2) Agrees to issue communication of the intention to implement the second home premium from April 2025.
- 3) Agrees to implement the revised empty homes premium for properties empty over 12 months.

- 4) Subject to recommendation 1 above, sets the Council Tax Base for the Council and other precepting bodies in 2024/2025 at 46,801.2 Band D equivalent (as detailed in Appendix A).

REASONS FOR DECISION

Setting the Council Tax Base is a statutory requirement that forms the basis of the calculation of the Council Tax charge for 2024/2025. The tax base needs to be agreed and notified to major precepting bodies by no later than the end of January 2024.

1. BACKGROUND AND ISSUES

- 1.1. North East Lincolnshire Council has the power in statute to raise a tax on households in its area to pay for the provision of local services. It is designated as the billing authority for the area. This means that it is responsible for levying a Council Tax to meet its own demands and to meet the precepts of other authorities in the area. The precepting bodies are:
 - Humberside Police and Crime Commissioner
 - Humberside Fire Authority
 - Parish and Town Councils in North East Lincolnshire
- 1.2. It also provides details of its tax base to levying bodies to which it must pay a contribution for the cost of services provided in the area. That includes the Environment Agency and the Port Health Authority.
- 1.3. Section 33 of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Tax Base) Regulations 2012 requires the Council to determine its tax base for Council Tax purposes each year. This is the basis on which the Council Tax is raised. The Council keeps a database of the properties in its area. Properties are recorded in 8 national bands by value (A to H) as determined by the independent Valuation Office Agency. Band H taxpayers pay twice as much as those in band D and three times as much as those in band A. The number of properties is expressed as a number of Band D equivalent properties for the purposes of calculating what £1 on the Council Tax would raise.
- 1.4. All precepting bodies have a right to receive the tax base figure for the area or their part of the area no earlier than 1 December and no later than 31 January in advance of the relevant tax year. It is this tax base that they will use to calculate a precept to fund their services, which they will direct the Council to collect on their behalf. The tax base is subject to change as new properties are built or converted and old properties demolished, so the tax base needs to be

recalculated each year. Government also requires information on the Council Tax base to determine the Council's share of national grant funding.

- 1.5. North East Lincolnshire Council will use the tax base to calculate a combined Council Tax requirement for 2024/2025 for itself, Humberside Police & Crime Commissioner, Humberside Fire Authority and Parish and Town Councils. The Council Tax collected is pooled in a collection fund and then distributed to North East Lincolnshire Council and the precepting bodies, on the basis of their tax decisions.
- 1.6. The calculation of the tax base is informed by the number of Band D equivalent properties and is adjusted by anticipated collection rates and the cost of applicable discounts made to relevant households. This includes a number of nationally determined discounts and the local Council Tax Support Scheme (CTSS), which was introduced in 2013/14. The current CTSS requires working age households to pay a proportion of their Council Tax bill.

Council Tax Support Scheme 2024/2025

- 1.7 The current cost of the Council Tax support discount is £11.04 million of which 53% or £6.04 million is mandatory and relates to pensioners (as at 01/10/23). The current discretionary element of the scheme relates to the working age population entitled to CTS including those who are disabled, this relates to 47% of the caseload and currently costs £5 million. The effect of the discount is a reduction to the Council Tax base and therefore the amount of Council Tax the area can raise. The cost of the scheme falls upon the Council and its major precepting bodies (the Police and Crime Commissioner and the Fire Authority).
- 1.8 Following a consultation process in 2019, a change was implemented in April 2020 with working age households moving to a maximum 65% contribution towards their Council Tax liability. It is proposed that no further change to contribution level is put in place given the economic challenges faced at the current time.
- 1.9 It has been a number of years since the scheme was reviewed. In order to present a scheme which is fit for purpose, makes the best use of technology and is as easy for residents to use as possible, a two-stage improvement approach is being implemented. A breakdown of this implementation plan can be found in appendix B.
- 1.10 Improvements highlighted as part of this first stage are centred around improving the customer journey through the application process, whilst minor changes to the level of support are included, these will not see any material differences in the level of support which is in place for residents.

- 1.11 In order to make certain changes to the Council Tax Support process we must consult with the public, this consultation exercise is planned for the remainder of the financial year. It is intended to implement stage 1 of this improvement process from April 2024.
- 1.12 Stage 2 of this implementation is to move the Council Tax Support scheme onto a banded scheme from April 2025, again outlined in appendix B. This will make limited changes in the level of support in place for residents but will be an easier process of application and processing, removing some of the administrative burden of the current process.
- 1.13 Further information will be made available during 2024 to allow decisions to be made on the implementation of the second stage of this implementation plan.

Empty Properties

- 1.14 During 2023 an in-depth review of all empty properties within the area has been completed. This is to ensure that all appropriate properties have the additional Council Tax long empty homes premium attached and to ensure information held by the Council is robust.
- 1.15 The Levelling-up and Regeneration Bill outlines that an additional 100% Council Tax premium can be levied for properties that have been empty for 12 months from April 2024, and also that a 100% premium can be levied on second homes from April 2025.
- 1.16 This bill has now received Royal Assent and Council Tax legislation will be amended in time to allow the additional premiums to be levied on properties empty over 12 months from April 2024. The intention is to implement this change in the legislation and add additional premiums to all properties which have been empty for more than 12 months in April 2024.
- 1.17 In order to charge the additional premium for second home owners, notice must be given in the local press of the intention to do this 12 months prior to implementing the change.

2. RISKS AND OPPORTUNITIES

- 2.1. To determine the tax base for Council Tax purposes for the Council and those which precept on it, the CTB1 tax base is adjusted to take account of projected changes in the valuation list and likely levels of discounts and exemptions for 2024/25. Known and projected growth in the number of properties is also factored in.

- 2.2. The size of the tax base takes account of all the discounts and exemptions available, both mandatory and discretionary, based upon estimated take up. There is a range of national discounts and exemptions available including certain types of unoccupied property; certain types of occupants such as students; and a discount for properties with only one occupant.
- 2.3. Whilst the Council has no scope to amend national discounts and exemptions, financial stewardship and achieving fairness to all taxpayers requires it to ensure those claiming discounts are fully eligible. The single person discount represents the single biggest cost. There are currently 28,433 (as at 10/10/23) properties claiming single person discount, which reduces their Council Tax charge by 25%. Whilst the Council has undertaken a risk based targeted review of the single person discounts in place, the intention is to complete a full review of all cases during 2024/25.. The overarching aim is to ensure households are paying their fair share towards services provided and enabled by the Council.
- 2.4. Failure to set the Council Tax base would result in the Council being unable to meet the statutory requirement to notify precepting authorities of the Council Tax base by 31 January 2024. It may also delay the calculation of the Council Tax charge and the billing and collection processes for 2024/2025.

3. OTHER OPTIONS CONSIDERED

- 3.1. In relation to the CTSS, any material changes to the scheme require a consultation process to be undertaken and the approval of full Council.
- 3.2. In relation to the additional premium charged for second homes from April 2025 the authority must state their intention to charge this premium 12 months prior to implementation.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

Setting of the tax base is a legislative requirement to which the Council has to adhere. Communications will be with Fire, Police and precepting authorities within set timescales.

5. FINANCIAL CONSIDERATIONS

- 5.1. The Council must calculate the tax base each year in accordance with The Local Government Finance Act 1992 and The Local Authorities (Calculation of Tax Base) Regulations 2012.

- 5.2. Judgement has been applied in estimating the Council Tax collection rate. For 2024/2025 it is considered prudent to assume a 98.2% collection rate, based on current collection rates and future trends in line with the Council's policy framework and application of discounts.
- 5.3. The overall level of anticipated collection remains the same as 2022/23. However this will be kept under review due to national issues around cost of living.
- 5.4. The increase in the tax base to 46,801.2 from the 2023/24 position of 45,710.4 equates to an additional 1,090.8 Band D equivalent properties. This delivers an extra £2.4m at the current North East Lincolnshire Council average band D level of tax. This is built into the Council's medium-term financial plan on an ongoing basis.
- 5.5. The actual amount collected in any year may differ from the estimate so that a surplus or deficit can arise on the Collection Fund. This surplus or deficit is shared between the Council and the major precepting authorities and is applied in the following year as required by legislation.
- 5.6. If collection rates fall below that assumed, there is a risk that a deficit may arise on the fund, which would need to be made up in a subsequent year.
- 5.7. In accordance with Government flexibilities, North East Lincolnshire has implemented all additional premiums for empty properties within the area since 2019. Premiums are an additional 100% charge for properties empty over 2 years, 200% for properties empty over 5 years and an additional 300% charge for properties empty over 10 years.
- 5.8. In October 2023 there were 318 properties which have the additional premium attached to their account, this accounts overall for £0.65M of Council Tax billing. This is the additional billing in place as at 01/10/23, this figure is taken at a point in time and the volume and value change as properties go on and off the additional premium.
- 5.9. There are 987 properties which would currently be eligible for the additional premium being empty at 01 April. Following a review of these properties a prudent estimate of 435.22 are likely to be billed the additional premium once approved and this has been factored into the taxbase calculations. This estimate is based on information available now as well as trend data from previous years.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

All financial decisions taken by the Council impact upon the Children and Young People. For this reason, the Council must take its commitments to the Corporate Parenting Pledge into account in the establishment of its financial plans. Care leavers that are not in employment are fully exempt from Council Tax until they become 25 years old.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

All financial decisions taken by the Council impact upon the environment. For this reason, the Council must take climate change and environmental issues into account in the establishment of its financial plans.

8. CONSULTATION WITH SCRUTINY

As the tax base report is approved by Full Council, there is no requirement for consultation with scrutiny.

9. FINANCIAL IMPLICATIONS

Income from Council Tax provides around half the Council's net funding. Decisions in relation to the Council Tax base impact upon the total funding available to the Council. Failure to agree the Council Tax base would mean the Council is unable to set a legal budget.

10. LEGAL IMPLICATIONS

In accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 the Council Tax base for the authority must be agreed and notified to major precepting bodies before the 31 January 2024.

11. HUMAN RESOURCES IMPLICATIONS

There are no direct human resource implications arising from the report.

12. WARD IMPLICATIONS

Information relates to all wards.

13. BACKGROUND PAPERS

Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/1992/14/contents>

Local Authorities (Calculation of Council Tax Base) regulations 2012

<http://www.legislation.gov.uk/uksi/2012/2914/contents/made>

14. CONTACT OFFICER(S)

Sharon Wroot, Executive Director – Place and Resources

Cindy Laherty, Local Taxation & Benefits Shared Service

**Councillor Stephen Harness,
Portfolio Holder for Finance, Resources and Assets**

APPENDIX 1

| Town/Parish | Gross Band D | | Net Band D Equivalent | | Assumed Collection rate |
|--------------------|----------------------|--------------------|---|------------------------------------|----------------------------|
| | Equivalent 2024/2025 | Loss on Collection | Reduction Scheme Changes applicable to spreadsheet | Net Band D Equivalent 2023/2024 | |
| Ashby cum Fenby | 130.2 | 2.3 | 127.9 | 124.5 | 98.2 |
| Aylesby | 64.8 | 1.2 | 63.6 | 64.4 | |
| Barnoldby le Beck | 212.3 | 3.8 | 208.5 | 174.9 | |
| Beelsby | 53.7 | 1.0 | 52.7 | 52.8 | |
| Bradley | 79.7 | 1.4 | 78.3 | 79.5 | |
| Brigsley | 176.5 | 3.2 | 173.3 | 168.0 | |
| East Ravendale | 38.1 | 0.7 | 37.4 | 36.8 | |
| Great Coates | 495.2 | 8.9 | 486.3 | 482.7 | |
| Habrough | 209.0 | 3.8 | 205.2 | 203.8 | |
| Hatcliffe | 54.0 | 1.0 | 53.0 | 52.3 | |
| Hawerby cum Beesby | 11.6 | 0.2 | 11.3 | 10.9 | |
| Healing | 1235.4 | 22.2 | 1213.2 | 1175.2 | |
| Humberston | 2752.9 | 49.6 | 2703.3 | 2581.8 | |
| Immingham | 2656.7 | 47.8 | 2608.9 | 2582.3 | |
| Irby upon Humber | 60.0 | 1.1 | 58.9 | 63.7 | |
| Laceby | 1142.2 | 20.6 | 1121.6 | 1050.7 | |
| New Waltham | 2086.3 | 37.6 | 2048.8 | 1967.7 | |
| Stallingborough | 452.3 | 8.1 | 444.2 | 444.5 | |
| Waltham | 2305.3 | 41.5 | 2263.8 | 2228.8 | |
| West Ravendale | 7.1 | 0.1 | 7.0 | 7.0 | |
| Wold Newton | 29.7 | 0.5 | 29.2 | 27.6 | |
| Cleethorpes | 9843.9 | 177.2 | 9666.7 | 9462.1 | |
| Grimsby | 23562.2 | 424.1 | 23138.1 | 22668.4 | |
| TOTAL | 47659.0 | 857.9 | 46801.2 | 45710.4 | |

Appendix B

Local Council Tax Support Scheme Scheme proposals for 2024/25 and beyond

Due to the complex nature of implementing a banded council tax support scheme, it has been decided to propose implementation of the new banded scheme from April 2025, rather than April 2024 as previously planned.

By postponing this significant change by one year, the service will have the necessary flexibility in the planning stages to ensure that all possible issues are resolved in a timely manner leading to a more robust scheme at the end of the process.

In delaying the implementation, the service has the opportunity to take a two-phase approach to delivering the new scheme.

Stage 1 - This stage covers some minor 'housekeeping' changes which can be implemented from April 2024 which will provide some improvements to the customer journey, pave the way for the wider changes from April 2025 and begin to remove some of the administrative burden on the service of delivering the scheme.

Stage 2 - This would be the full-scale migration onto a banded Local Council Tax Support Scheme from April 2025.