

COUNCIL TAX BASE CALCULATION 2023/24

Cabinet	12 January 2023
Report Author	Chris Blundell, Director of Finance and S151 Officer
Portfolio Holder	Cllr David Saunders, Cabinet Member for Finance
Status	For Decision
Classification:	Unrestricted

Executive Summary:

The Council Tax base for the coming year is set by Thanet District Council and is used by Kent County Council, the Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and the various town and parish councils when setting their Council Tax and their precepts.

Recommendation(s):

It is recommended that Cabinet:

- (i) Approve the District's Council Tax Base for 2023/24 as **45,759.46** and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Annex 2;
- (ii) Determines that council tax discounts remain unchanged for 2023/24;
- (iii) Determines the 'Long Term Empty Premium' for properties that have been left empty and substantially unfurnished remain unchanged for 2023/24 as follows:
 - for periods of 2 years but less than 5 years, a Long Term Empty Premium to be charged at 100%;
 - for periods of 5 years but less than 10 years, a Long Term Empty Premium to be charged at 200%; and
 - for periods of 10 years or more a Long Term Empty Premium to be charged at 300%.
- (iv) Determines to revise the Council Tax Reduction Scheme for 2023/24 in line with the recommendations in this report;
- (v) Approve the application of the 100% council tax premium on properties empty (unoccupied and unfurnished) for periods of 1 year but less than 5 years, applicable from 1 April 2024, subject to the Regeneration & Levelling-Up Bill receiving Royal assent; and
- (vi) Approve the application of a 100% Council Tax premium on properties unoccupied but furnished (often referred to as 'second homes'), applicable from 1 April 2024, subject to the Regeneration & Levelling-Up Bill receiving Royal Assent.

Corporate Implications

Financial and Value for Money

The Council Tax Base is used to calculate the overall amount of Council Tax income the council can budget for in 2023/24.

Failure to comply with timescales could delay Council Tax bills with the potential to affect collection and cash-flow.

On the assumption that the levels of support under the Council Tax Reduction Scheme and the discounts and premiums are confirmed, the Council Tax Base for Thanet District Council will increase by **784.26** Band D properties between 2022/23 and 2023/24.

Legal

This tax base has been prepared in accordance with the current regulations, which came into force on 30th November 2012.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914) and the calculations are shown in Appendix 1.

Corporate

Failure to confirm the decision will affect the collection of Council Tax and budget setting for the forthcoming financial year.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

No direct equality implications are recognised in this report.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1. Introduction and Background

- 1.1 The Council is required to set its tax base by 31 January every year, for the following financial year. The tax base is defined in terms of the number of Band D equivalent properties, adjusted to reflect various discounts.
- 1.2 The Council is also required on an annual basis to determine whether and, if so, the extent to which it will reduce or remove any Council Tax Discounts.
- 1.3 The tax base for 2023/24 has been prepared in accordance with the current regulations which came into force on 30 November 2012. The calculations are shown in Annex 1.
- 1.4 As the Council Tax base is defined in terms of “Band D equivalent” dwellings, and Band D dwellings are treated as “average” houses, all other properties are defined as a ratio against Band D houses, and pay Council Tax in accordance with that ratio.
- 1.5 The table below illustrates how this works.

Council Band	Tax	Ratio to Band D	Number of Dwellings (based on the Valuation Office list)
Band A		6/9	16,313
Band B		7/9	19,766
Band C		8/9	17,977
Band D		9/9	8,000
Band E		11/9	4,082
Band F		13/9	1,601
Band G		15/9	811
Band H		18/9	33

- 1.6 The basis of the calculation is to multiply the number of dwellings in each band by their respective ratio, then add the totals together to produce a “Band D equivalent” total. This total includes a number of adjustments for factors such as single person discounts, people in receipt of Council Tax Reduction Scheme discounts, etc. The total is then adjusted for the anticipated collection rate, in order to determine the tax base. The assumed collection rate recognises that there will be an element of bad debt that will not be collected and as such the collection rate is set at **98.00%** to reflect this.

Based on these factors it is recommended that the tax base for 2023/24 is set at **45,759.46**. This represents a **784.26** or 1.74% increase in the tax base compared to 2022/23.

2. Identification of Options For the Setting of the Council Tax Base

- 2.1 The setting of the Council Tax base is mainly a mechanical process based on the projected number of properties, level of discounts and collection rates, and does not produce many options for Members to consider.
- 2.2 Where there is some discretion for members is in the setting of the parameters and criteria for the localised Council Tax Reduction scheme and also the application of certain premiums. These considerations are set out in the following sections of this report.

3. Reduction of Council Tax Discounts

- 3.1 From the year 2013/14, the Council removed the following Council Tax Discounts in order to meet the cost of operating the chosen Council Tax Reduction Scheme:
 - (i) Second Home discount of 10% removed;
 - (ii) Empty property discount (Class C) removed.
- 3.2 Reductions in Council Tax discounts are required to be determined on an annual basis, and it is recommended that the existing Council Tax discounts are continued for the year 2023/24.

4. Approve the continuation of a Council Tax premium (a 'Long Term Empty Premium') for properties empty and substantially unfurnished, as follows:

- 4.1 Legislation was previously passed to allow councils to increase the Long Term Empty Premium being charged for domestic properties that have been left empty and substantially unfurnished for two years or more. This took effect from April 2019 and saw the premium increase from 50% to 100%. This meant that when a property had been empty and unfurnished for two years or more, an additional 100% Council Tax was charged from April 2019, making Council Tax payable at 200% from April 2019.

The legislation included further increases in the premium for future years for properties that have been empty and substantially unfurnished for longer periods. Public consultation undertaken in December 2018 resulted in respondents being in favour of further increasing the Long Term Empty Premium for properties empty for 5 years or more to 200%, (which was introduced in Thanet from April 2020), and the Long Term Empty Premium at 300% (which was introduced in Thanet from April 2021), for properties empty and substantially unfurnished for 10 years or more.

There are two exceptions.

- 4.2 Where the property is left empty by a serving member of the armed forces, who is living elsewhere in accommodation provided by the Secretary of State for defence; or where the property is the sole or main residence of a serving member of the armed forces, who is subject to a job related discount at an alternative address provided by the Secretary of State for defence.
- 4.3 Empty annexes are not subject to the Long Term Empty Premium.

5. Approve two minor amendments to the Council Tax Reduction Scheme

- 5.1 The reduction of Council Tax discounts is a separate decision from the decision to approve a Council Tax Reduction (CTR) Scheme (of which the current scheme was approved by the Full Council in January 2017).
- 5.2 Consultation has been undertaken on two minor changes to the CTR scheme for 2023/24.
- 5.3 Both of these changes are advantageous to CTS claimants. The proposed changes are:
 - Increase the current period for which a claim for working-age CTR can be backdated. The proposal is to allow backdating for up to a maximum of 3 months (currently it is a maximum of 1 month).
 - Introduce a clause in the CTR scheme to completely disregard any payments of 'local welfare provision' in the calculation of a person's entitlement to CTR. (An example of local welfare provision was the £500 awards made under the Test & Trace Support Payment scheme).
- 5.4 Public consultation on these proposed changes was undertaken during a 4 week period 03.10.22 – 31.10.22. There were 38 responses received.
- 5.5 In respect of proposed change 1, 90% of respondents were either 'very supportive' or 'supportive'. In respect of proposed change 2, 87% of respondents were either 'very supportive' or 'supportive'.
- 5.6 The full summary of responses can be seen at Annex 3. On the basis of the overwhelming support for the proposed changes, I am recommending these are implemented for the 2023-24 CTR scheme.
- 5.7 In line with normal annual practice, any 'personal allowances' and 'premiums' in the CTR scheme will be uprated in line with the uprating of those same allowances in the Housing Benefit scheme. The Department for Work & Pensions (DWP) decides this uprating each year, and the allowances and premiums used in the council's CTR scheme align with those each year.

6. Council Tax 'long term empty property' premium, and 'second home' premium

- 6.1 The Regeneration & Levelling-Up Bill is currently passing through Parliament and the Department for Levelling Up, Housing, and Communities (DLUHC) is aiming for Royal Assent in Spring 2023. This Bill proposes, amongst other things, two important changes to Council Tax, as follows;

Long Term Empties

A change in the application of a Council Tax premium on 'long term empty' properties. Currently, if a property has been unoccupied and unfurnished for 2 years but less than 5 years, then a 100% Council Tax premium can be applied to the property (Thanet District Council currently applies this premium in line with the relevant regulations). The Bill is proposing to shorten that 2 year period to 1 year. 'Long term empty' premiums are applied to encourage owners to bring properties back into use so they are not left empty for extended periods.

Second Home Premium

The implementation of a Council Tax premium on 'second homes'. 'Second homes' are properties which are unoccupied but furnished. For some years now local councils have been able to apply a full council tax charge to second homes. Thanet District Council applies such a charge. The Bill proposes the councils may apply a 100% Council Tax premium on second homes (so, for Thanet, that would mean an owner of a second home in the district would pay double the normal Council Tax charge).

- 6.2 Both of these changes can only come into effect if the Bill receives Royal Assent, and even then the earliest that both of these changes can come into effect is 1 April 2024.
- 6.3 Using the average Council Tax charge of £2009, multiplied by the number of cases (168) currently subject to the 'long term empty' 100% council tax premium (empty for 2 years but less than 5 years) generates £338k. Clearly, if the two year period is reduced to 1 year then that revenue will be received by the council one year earlier than at present. Based on a conservative assumption of collecting 75% of the district's share (11.98%) of that revenue, the revenue for the district would be £30k, collected a year earlier than under existing legislation.
- 6.4 The estimated revenue generated from implementing a 100% Council Tax premium on second homes could be in the region of £278k per annum (again based on collecting 75% of the district's share of the yield).
- 6.5 The Bill states that to apply these changes approval to do so must be given at least 12 months before the implementation date. Therefore I am seeking approval now, on the basis that should the Bill receive Royal Assent we have the required 12 months lead-in period, in order to apply the premiums from 1 April 2024.

7. The Current Situation:

- 7.1 The calculation of the Tax Base has been undertaken in accordance with the current Regulations, "Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914)", which came into force in November 2012.
- 7.2 A decision is required to implement the new tax base for 2023/24 which will replace the current one for 2022/23. There are no options for the calculation.

8. Options

- 8.1 There are no options available to Members other than to approve the District's Council Tax base, and approve no revision of the Council Tax discounts. This is because calculation of the Council Tax base is on the basis of set regulation as stated in the sections above. Regulations state that the tax base must be agreed by January 31 each year. The suggested changes to the CTR scheme have no material impact on the calculation of the Council Tax base, and are therefore recommended for approval.

Therefore;

- (i) Approve the District's Council Tax Base for 2023/24 and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Appendix 2;

- (ii) Approve no changes to council tax discount and premiums
- (iii) Determine to revise the Council Tax Reduction Scheme for 2023-24 in line with the recommendation at 5.6 of this report.

8.2 In relation to the Council Tax premiums changes proposed in the Regeneration & Levelling Up Bill ('the Bill'), there are effectively three options;

- i. Approve, now, the implementation of the premiums from April 2024, should the Bill receive Royal Assent. This would give the council the required 12 months between the decision to apply the premiums and the implementation date (which would be 1 April 2024)
- ii. Not approve the premiums now but wait to see the passage of the Bill and then revisit the decision during 2023. This would then mean that if the council wished to implement the premiums it would not be able to do so until April 2025.
- iii. Decide not to implement the premiums regardless of the passage of the Bill.

Option 1 is recommended as it allows implementation of the premium from the earliest possible date, and if the Bill does not receive Royal assent the decision becomes void in any event.

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Reporting to: Colin Carmichael (Interim Chief Executive)

Annex List

Annex 1: Council Tax Base Calculation for 2023-24

Annex 2: Detailed calculations for District and Parish/Town Council Tax Bases

Annex 3: Summary of responses for the consultation on two minor amendments to the CTR scheme

Corporate Consultation

Finance: N/A

Legal: Sameera Khan (Interim Head of Legal & Monitoring Officer)