

Section Five – Council Tax

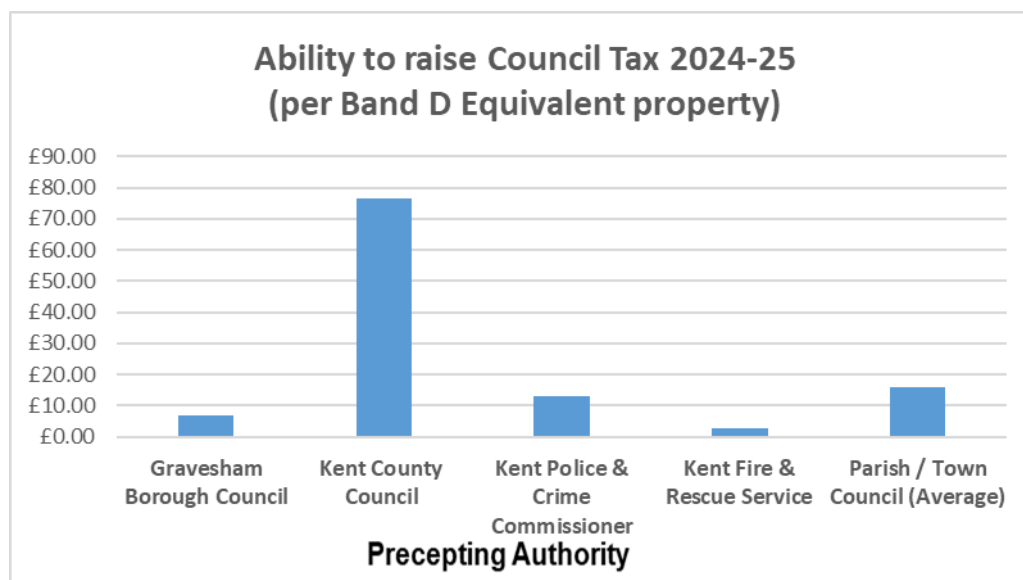
1. Introduction

- 1.1 Council Tax is an annual tax on domestic property based on property value. Billing and collection of council tax is carried out by district and borough councils, such as Gravesham, on behalf of all local government authorities (preceptors) delivering services and investing in the borough. Setting the Council Tax charge consists of two factors; determining the council tax charge to be levied for the year and tax base on which the charge will be made.

2. Council Tax Referendum Principles

- 2.1 The draft Referendums Relating to Council Tax Increases (principles) (England) 2024 to 2025 were published alongside the annual Provisional Local Government Finance Settlement on 18 December 2023. These set out thresholds central government propose to set in place to protect local council taxpayers from excessive council tax increases. If an authority plans to set a council tax level that exceeds the annual increase permitted within the Referendum principles, a council tax referendum would be triggered.
- 2.2 For 2024-25 there continues to be differential limits that will trigger the need for a council tax referendum for each of the precepting authorities within the borough:
- Gravesham Borough Council – permitted to raise council tax by 3% or up to and including £5 (whichever is higher).
 - Kent County Council – permitted to raise core council tax by up to 3%, with a further 2% relating to the social care precept.
 - Kent Police & Crime Commissioner – permitted to raise council tax by up to £13.
 - Kent Fire and Rescue Service – permitted to raise council tax by up to 3%.
 - Parish / Town Councils – No referendum principals set but are expected to ‘show restraint’ when setting precept levels.

- 2.3 The graph below demonstrates each precepting authority's ability to generate additional council tax if they were to increase to their respective referendum threshold:



- 2.4 Planned parish council changes at Band D level range from a decrease of £1.97 to an increase of £60.16, with an average increase of £16.13.

3. Kent District Council Tax levels

- 3.1 The table below details the respective annual Council Tax levels being charged by all District Authorities within Kent during 2023-24. The table also shows the maximum permissible annual increase for each authority for 2024-25 without the need for a referendum.

	2023/24 £	Maximum Permittable increase 3% or £5	Maximum Annual Charge 2024/25 £
Kent			
Ashford	182.50	5.48	187.98
Canterbury	232.92	6.99	239.91
Dartford	181.35	5.44	186.79
Dover	179.24	5.38	184.62
Folkestone & Hythe	272.07	8.16	280.23
Gravesham	224.46	6.73	231.19
Maidstone	284.49	8.53	293.02
Sevenoaks	236.70	7.10	243.80
Swale	194.94	5.85	200.79
Thanet	255.54	7.67	263.21
Tonbridge & Malling	210.71	6.32	217.03
Tunbridge Wells	141.96	5.00	146.96
Average	216.41	6.55	222.96

4. Proposing the 2024-25 council tax charge for Gravesham

- 4.1 Council Tax income forms the most significant funding stream for the council, albeit the council only receives 11% of the total council tax charge paid by Gravesham residents.



Council Tax Band D Charge 2023/24

- 4.2 The referendum principles permit Gravesham Borough Council to increase its council tax by 3%, or £6.73. It is proposed to increase the charge by £6.57 (less than 13 pence per week), resulting in a Band D equivalent council tax charge of £231.03 for 2024-25. This is slightly below the level set out in the table in paragraph 3.1 and reflects the requirement for the amount charged to be divisible by the number of council tax bands (9).

5. Setting the Tax Base

- 5.1 The council tax base is an assessment of the anticipated number of Band D equivalent dwellings in a local authority area in a financial year against which a council tax charge can be applied and is used to determine the amount of council tax revenue that can be raised. The council tax base will be adjusted to account for discounts, premiums or exemptions that may be applied to a property and will include assumptions of growth in the number of residential properties in an area as well as on claims for support with the payment of council tax (through the Council Tax Reduction Scheme).
- 5.2 58% of Gravesham's council tax base is constituted of dwellings in Band A-C, where a charge lower than the Band D equivalent would be levied.

Council Tax Band	Number of Properties	Percentage
A	3,731	8.34%
B	7,038	15.72%
C	15,177	33.91%
D	10,740	24.00%
E	4,766	10.65%
F	2,127	4.75%
G	1,075	2.40%
H	103	0.23%
TOTAL	44,757	100%

- 5.3 In light of the financial challenges being experienced by the council and the local government sector as a whole, the council has undertaken a critical review of its council tax base and sought to maximise the opportunity to generate council tax income through the calculated council tax base. This action has resulted in an increase in the tax base of 2.06% for 2024-25 compared to that of 2023-24. The MTFP assumes natural growth in the tax base of 0.6% annually, but additional growth of 0.8% has been incorporated based on the positive growth in property numbers since setting the tax base in January 2023 and predicted growth during the next year based on Annual Monitoring Report information held by the Development Control service. Growth of 0.66% has been derived from the inclusion of changes to premiums and discounts currently applicable to council tax which are discussed in more detail in the next two sections of the report.

Levelling-Up and Regeneration Act 2023

- 5.4 The Levelling-Up and Regeneration Act 2023 ('the Act') received Royal Assent at the end of October 2023. Within the Act, changes have been made to when premiums may be applied, in respect of the following: -
- **Council Tax premium on 'long term empty' properties** – currently, if a property has been unoccupied and unfurnished for two years but less than five years, then a 100% council tax premium can be applied to the property. Section 79 (1) of the Act has shortened the two-year period and allowed the premium to be applied after one year. It has also provided under Section 79 (2) for the amendment to come into effect from 1 April 2024. It does not matter whether the date the property became unoccupied and unfurnished begins before 1 April 2024 e.g. if a property has continuously been unoccupied and unfurnished since, say 1 March 2023 then the premium will apply from 1 April 2024 in that instance.
 - **Council Tax premium on 'second homes'** – 'second homes' are defined within the Act as properties where there is no resident of the dwelling, and the property is substantially furnished. Currently, a full council tax charge is applied to second homes. The Act has provided for councils to apply up to a further 100% council tax premium on second homes. However, the council must determine the premium in this instance giving at least one year before the beginning of the financial year to which it relates. Consequently, the earliest date that this could be effective from is 1 April 2025.
- 5.5 In February 2023, Full Council approved the application of both of the above premiums on the Act receiving Royal Assent and delegated authority to the Director (Corporate Services) to take all necessary and timely action to implement this recommendation, taking into account any Secretary of State Guidance that may be issued. The council tax base has therefore been prepared on the basis of the council tax premium for 'long term empty' properties being applied by the council from 1 April 2024.
- 5.6 Cabinet is requested to consider and re-recommend to Full Council the application of a 100% Council Tax premium on 'second homes' with effect from 1 April 2025 as enabled by the Act under section 80 (2).

Prescribed Classes of Dwelling - proposed changes

- 5.7 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 provides Billing Authorities with discretionary powers in respect of the awarding of prescribed discounts. These include: -
- Prescribed Class C discount of between 100% and 0% in respect of empty dwellings i.e., where unoccupied and it is substantially unfurnished. Currently, the council has a 100% discount for a period of up to one month.
 - Prescribed Class D discount between 100% and 0% (for a maximum of 12 months) in respect of a property in need of/or undergoing major repair works or structural alteration to make habitable.
- 5.8 The majority of Kent districts currently have a Prescribed Class C and/or Class D discount of 0%. Those districts that have a discount greater than 0% have indicated that they will be reviewing these discounts for 2024-2025 with a view to removing them.
- 5.9 Should members decide to reduce the discount to 0%, the council can continue to use its existing discretionary powers under Section 13A Local Government Finance Act 1992 to waive the council tax charge where a property has been damaged in extreme circumstances such as flood or fire.
- 5.10 Cabinet is therefore requested to approve the reduction of both Prescribed Class C and Class D to 0% with effect from 1 April 2024.

6. Impact of council tax charge decisions on the Medium Term Financial Plan

- 6.1 Appendix 4a shows in graphical form the effect of freezing council tax in 2024-25 versus the implementation of a £6.57 increase to council tax. The graph shows that over the course of the current Medium Term Financial Plan period, such a decision would see total Council Tax income reduced by £2.36m
- 6.2 Modelling showing the consequential impact on the MTFP of increasing council tax by £6.57 and £0 (effectively freezing council tax) is presented at Appendix 4b and 4c.