

# Cabinet

Tuesday 13 December 2016

4.00 pm

Ground Floor Meeting Room GO2A, 160 Tooley Street, London  
SE1 2QH

## Supplemental Agenda No.1

### List of Contents

Item No.	Title	Page No.
20.	<b>The Council Tax Base for 2017-18</b>	1 - 10
	To approve the schedule of discounts and exemptions which remains unchanged from 2016-17 and to agree the council tax base for 2017-18.	

#### Contact

Paula Thornton 020 7525 4395 or email: [paula.thornton@southwark.gov.uk](mailto:paula.thornton@southwark.gov.uk)  
Webpage: [www.southwark.gov.uk](http://www.southwark.gov.uk)

Date: 5 December 2016

<b>Item No.</b> 20.	<b>Classification:</b> Open	<b>Date:</b> 13 December 2016	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		The Council Tax Base for 2017-18	
<b>Ward(s) or groups affected:</b>		The Whole Borough	
<b>Cabinet Member :</b>		Councillor Fiona Colley, Finance, Modernisation and Performance	

### **FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE**

The decision about the council tax base is an important element of our budget setting process. It is the foundation of the estimate we will make for the amount of council tax and precept we will collect in 2017-18.

This year I am recommending that we increase our assumed collection rate from 97% to 97.2% reflecting the success of our Exchequer team in improving our income collection. Thanks to the regeneration of our borough we are also anticipating an increase of around 1000 homes in the borough. Indeed thanks to the improved collection and housing growth in our borough, our income from council tax has grown by £8.8m between 2013 and 2016 even though the tax itself has not increased.

We are recommending no changes to the Council Tax Reduction Scheme this year with a discount of up to 85% continuing to be available for our lowest income working age households and 100% for low income pension age households. Our Hardship Fund and Southwark Emergency Support Scheme also continue to be available.

We will continue to offer the statutory discounts such as single person discount, but no local discretionary discounts. We will do all we can to discourage people from leaving properties empty by offering no discount on second homes or on empty homes and charging the maximum possible premium of 50% on homes left empty for two years or more.

### **RECOMMENDATIONS**

1. Cabinet approve the schedule of discounts and exemptions in paragraph 12, which remains unchanged from 2016-17.
2. Cabinet note that the council tax reduction scheme (CTRS) for both working and pensionable age claimants shall remain unchanged in 2017-18 and note the consequential reduction in tax base of 16,550 (was 17,997 in 2016-17) band D equivalent dwellings as shown in paragraph 22 below.
3. Cabinet agree the council tax base for 2017-18 be set at 95,941 (was 91,231 in 2016-17) band D equivalent dwellings, as shown in paragraph 32.
4. Cabinet agree the assumed council tax collection level should be 97.20% (was 97.00% in 2016-17) noting the risks outlined in paragraph 25.

5. Cabinet note the council tax base for 2017-18 for St. Mary Newington be set at 11,602 (was 10,979 in 2016-17) band D equivalent dwellings.
6. Cabinet note the council tax base for 2017-18 for St. Saviour's be set at 1,257 (was 1,174 in 2016-17) band D equivalent dwellings.
7. That cabinet note that:
  - Any minor and consequential amendments to the CTRS written policy are to remain delegated to the strategic director of finance and governance, in consultation with the monitoring officer.
  - No changes were made under the strategic director of finance and governance's authority during 2016-17.
8. That cabinet note that, as for 2016-17, the NNDR1 return showing the national non-domestic rates base will be signed off by the council's section 151 officer (strategic director of finance and governance).

## BACKGROUND INFORMATION

9. Regulations require the council to inform its preceptors of the council tax base by 31 January 2017.
10. This report sets out the statutory information that is needed in order to set the council's council tax base for 2017-18. A further report will be presented to council assembly in February 2016 setting out the level of council tax needed to meet the council's expenditure for the year 2017-18.

## KEY ISSUES FOR CONSIDERATION

11. There are a number of factors which impact the council tax base calculation and these are discussed in the sections below:
  - Council tax discounts, exemptions and premiums
  - Council tax reduction scheme
  - Council tax collection rate.

### Council tax discounts, exemptions and premiums

12. There are no proposed changes to council tax discounts for 2017-18 and the position remains as follows:

Reason	para.	Local / Statutory	Discount/ Premium
Single Person		Statutory	-25%
All except one person in household disregarded	13	Statutory	-25%
All persons in household disregarded	13	Statutory	-50%
Second Home	14	Local	0%
Discount to replace Class A exemptions	15	Local	0%
Discount to replace Class C exemptions	16	Local	0%
Empty (unoccupied) but furnished		Local	0%
Empty for over two years (premium)	17	Local	+50%

13. Occupants may be disregarded for the purposes of establishing the billable amount. Qualifying students, for example, are disregarded, and households containing only students are fully exempt. If all but one of the occupants is disregarded, a 25% discount is awarded. If all occupants are disregarded, but no exemption is applicable, a 50% discount is awarded.
14. Second home discount schemes are left to local discretion, between a statutory minimum of 0% and statutory maximum of 50%.
15. Class A exemptions were abolished with effect from 1 April 2013, these allowed up to 12 months tax free for properties that were uninhabitable or undergoing major works.
16. Class C exemptions were also abolished with effect from 1 April 2013. These allowed up to 6 months tax free for properties that were empty and unfurnished.
17. Where properties are empty for over two years, property owners will be charged full council tax plus an additional 50% making a total of 150%, allowing the council to levy more council tax. This is the maximum premium the council is permitted to charge.

#### **Council Tax Reduction Scheme**

18. From 2013-14 there has been a significant change in the calculation of the council tax base. The localisation of council tax support has resulted in a substantial reduction in the number of band D equivalent properties in the tax base. Instead of council tax benefit claimants having council tax paid for through council tax benefit, from 1 April 2013 through Southwark's localised council tax reduction scheme (CTRS) claimants receive a discount, up to a maximum 100% discount for pension age claimants to a maximum 85% discount for working age claimants.
19. The actual amount of CTRS discount applied is monitored monthly and an adjustment has been made to forecast these figures to obtain a more representative estimate for 2017-18.
20. The CTRS caseload has continued to reduce gradually during 2016-17, leading to an increase in the tax base. Analysis shows that the greatest reduction has been in the "working age other" element of the scheme. This group of people are in receipt of passported benefits, job seekers allowance and income support. Typically this is indicative of claimants moving into work and therefore off benefits and eligibility for CTRS. Other movements can be attributed to a combination of changes in claimants' circumstances such as movement in and out of the borough, changes in income, and starting work.
21. The 23 January 2013 council assembly agreed the council tax base report which contained the CTRS policy document. This has been amended so that CTRS is capped at 85% for working age customers with no second adult rebate for non-pensioners.
22. The council tax reduction scheme replaced council tax benefit and is passed on to claimants through a discount. Current estimates show that for 2017-18 this will reduce the overall council tax base by 19,179 properties (16,550 band D equivalents) before adjustment for collection rate.

### Council tax collection rate

23. The 2016-17 in-year collection performance as at the end of November 2016 is 71.8% (November 2015 was 72.9%). Performance compared with the same period last year is lower due to the removal of discounts and exemptions over recent months. This process raises the amount collectible, however those amounts only fall due later in the year. This effectively lowers the collection rate over the short term but increases cash collectable in the long term.
24. Arrears collection as at the end of November 2016 is £2.8m against the annual target of £3.4m. (December 2015 was £3.5 million against annual target of £3.4 million).
25. The strategic director of finance and governance recommends that, based on collection performance in previous years and to date in 2016-17, a 97.20% assumed collection rate in 2017-18 would give the best estimate of the likely value to be obtained from the demands issued in April 2017 (see Appendix B). However, there are still considerable uncertainties arising from the accumulated effects of welfare reform.
26. The collection fund monitor continues to be worked on, and the forecast position will be reported in the Policy and Resources Strategy 2017-18 to 2019-20 balanced budget report to 24 January 2017 cabinet. Any estimated surplus or deficit must be accounted for in the council tax calculations for 2017-18.

### Calculation of the council tax base

27. Calculation of the council tax (“the tax”) is governed by the Local Government Finance Act 1992 (‘the Act’) and various regulations thereunder. In particular, Section 31B of the Act requires the basic (band D) tax to be calculated by applying the formula: the council tax requirement divided by the council’s “tax base”.
28. Although the council’s net budget requirement for 2017-18 has not yet been determined, the “tax base” can be set and is subject to the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, made under section 33 of the Act and subsequent amendments. Regulation 8 of the 2012 Regulations requires the calculation for 2017-18 to be made between 1 December 2016 and 31 January 2017.
29. The proportions applicable to the various council tax bands (the “basic” band being D) are as follows:

<b>Band</b>	<b>Proportion (ninths)</b>
A	6
B	7
C	8
D	9
E	11
F	13
G	15
H	18

30. There is an additional band reported on the schedules, which is “band –A” (5/9 of band D). This only arises where a person in a band A property receives a band reduction through disability related relief.
31. The council's basic tax is calculated in respect of band D. The bands are based on the above proportions, so Band A properties pay 6/9 of the basic tax, band B pay 7/9 of the basic tax and so on up to band H where the tax is 18/9, or twice the tax at band D.
32. The calculation of the tax base can be found at Appendix A and is summarised below:

<b>Total of the relevant amounts</b>	<b>98,705</b>
<b>Estimated collection rate</b>	<b>97.20%</b>
<b>2017-18 council tax base</b>	<b>95,941</b>

33. Additional earmarked income may be available from trust funds, which can subsidise the council tax in the former parishes of St. Mary Newington and St. Saviour's. Separate calculations have to be made for these specific areas. These can be found in Appendix A. The subsidy to St Mary Newington is taken from interest earned on the Walworth Common Trust capital sum, divided by the taxbase to give a band D equivalent subsidy. The subsidy to St Saviour's comes from contributions from the Borough Market Trustees, again divided by the taxbase.

#### **Council tax base and the budget**

34. There is a direct correlation between growth in the tax base and growth in the amount of council tax the council has available to spend on providing services. The impact of this growth over time is illustrated in the table below:

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Budget	74,267	76,928	80,020	83,215	87,512*
Growth		3.6%	4.0%	4.0%	5.2%

\*2017-18 figure is indicative and based on the 2016-17 band D figure of £912.14.

#### **National non-domestic rates**

35. The NNDR1 return will be signed off by the council's Section 151 officer (strategic director of finance and governance). The final signed NNDR1 will be included as an appendix for noting in the 2017-18 budget report for approval by council assembly on 22 February 2017.

#### **Revenue budget implications 2017-18**

36. Subject to cabinet approval, the tax bases recommended in this report and the projected surplus / deficit on the collection fund as at 31 March 2017 will be used in the calculation of the level of council tax that will be recommended to council assembly on 22 February 2017.

## **Consultation**

37. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2017-18. The budget is underpinned by the council's medium term resource strategy as agreed by cabinet on 20 September 2016.

## **Community impact statement**

38. This report contains technical calculations relating to the council's tax base for 2017-18.
39. There is no direct community impact at this stage. The impact on the community of any potential change in service design, outcomes or access arising from recommendations relating to the 2017-18 revenue budget will need to be addressed and identified as part of the final budget submission to council assembly on 22 February 2017.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Democracy**

40. The director of law and democracy advises that decisions relating to the setting of council tax base are reserved to cabinet under Part 3B of the council's constitution. Therefore the cabinet is enabled to agree all of the recommendations in this report.
41. Members are reminded of the obligations pursuant to Section 106 of the Local Government Finance Act 1992 and the restrictions on voting therein. Section 106 of the Local Government Finance Act 1992 applies to members in arrears of council tax in respect of their capacity to vote in meetings on certain financial matters
42. Where a member has at least two months' arrears of council tax he or she must not vote on any matter which:
- relates directly to the setting of the next year's council tax; or
  - recommends income or expenditure forming part of the next year's levy; or
  - relates to income or expenditure in the current year which is in excess of the current budget.
43. When a matter as described in paragraph 42 is to be considered at a meeting the member affected must declare that Section 106 of the Local Government Act 1992 applies to him or her. The member may remain in the meeting and may speak, but he or she may not vote on the matter.
44. The legal basis for agreeing the recommendations relating to the setting of the council tax base is found under Section 31B of the Local Government Finance Act 1992 which imposes a duty on a billing authority to calculate its council tax by applying a formula laid down in that Section. This relies on calculating a figure for the council tax base for the year. The Local Authority (Calculation of Council Tax Base) (England) Regulations 2012 require a billing authority to use a given formula to calculate the council tax base.

45. On 23 January 2013 council assembly (then the appropriate decision maker) adopted the CTRS written policy which had been developed by officers. At the same meeting also approved that decision making on any minor and consequential amendments to the CTRS written policy be delegated to the strategic director of finance and corporate Services (now the strategic director of finance and governance) in consultation with the monitoring officer.
46. In respect of all recommendations, cabinet is reminded of the requirement to consider the public sector equality duty as set out in Section 149 of the Equality Act 2010 before reaching a decision.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

Appendix	Title
Appendix A	Council Tax Base calculations for 2017-18
Appendix B	Council Tax – Collection Achieved and Projected

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Fiona Colley, Finance, Modernisation and Performance	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Tim Jones, Finance and Governance Norman Lockie, Finance and Governance	
<b>Version</b>	Final	
<b>Dated</b>	5 December 2016	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		5 December 2016



## COUNCIL TAX BASE FOR 2017/18

WHOLE BOROUGH	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	TOTAL
	- A	A	B	C	D	E	F	G	H	
Number of Chargeable Dwellings	11	11,267	36,267	33,254	22,751	15,843	6,112	4,171	622	130,298
Adjustment for the number of dwellings subject to a discount	(1)	(1,708)	(4,342)	(2,785)	(1,630)	(920)	(312)	(168)	(24)	(11,889)
Adjustment for the number of dwellings subject to a premium	-	143	193	57	35	7	4	5	4	447
Adjustment for the localised council tax support scheme	(4)	(2,456)	(7,544)	(5,037)	(2,535)	(1,344)	(198)	(59)	(2)	(19,179)
Adjustment for forecast changes in the tax base	-	(4)	22	100	207	384	82	52	5	848
Total in band	6	7,242	24,597	25,589	18,827	13,970	5,689	4,001	605	100,525
Multiply by band factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Band D Equivalents	3	4,828	19,131	22,746	18,827	17,074	8,217	6,669	1,210	98,705
Estimated Collection Level										97.2%
Estimated 2017/18 TAX BASE										95,941

ST. SAVIOUR'S	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	TOTAL
	- A	A	B	C	D	E	F	G	H	
Number of Chargeable Dwellings	-	54	271	315	190	234	147	144	50	1,405
Adjustment for the number of dwellings subject to a discount	-	(11)	(31)	(32)	(16)	(18)	(10)	(8)	(2)	(127)
Adjustment for the number of dwellings subject to a premium	-	-	-	-	-	-	-	-	-	-
Adjustment for the localised council tax support scheme	-	(11)	(46)	(62)	(26)	(20)	(2)	-	-	(167)
Adjustment for forecast changes in the tax base	-	-	-	1	2	6	2	2	-	13
Total in band	-	33	194	222	151	202	137	138	48	1,124
Multiply by band factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Band D Equivalents	-	22	151	197	151	247	198	230	97	1,293
Estimated Collection Level										97.2%
Estimated 2017/18 TAX BASE										1,257

## COUNCIL TAX BASE FOR 2017/18

ST. MARY NEWINGTON	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	TOTAL
	- A	A	B	C	D	E	F	G	H	
Number of Chargeable Dwellings	1	2,672	6,940	4,996	1,988	1,503	361	71	22	18,554
Adjustment for the number of dwellings subject to a discount	-	(384)	(770)	(383)	(152)	(80)	(17)	(4)	(1)	(1,790)
Adjustment for the number of dwellings subject to a premium	-	73	102	9	5	1	1	1	1	190
Adjustment for the localised council tax support scheme	(1)	(588)	(1,509)	(883)	(290)	(223)	(18)	(7)	-	(3,519)
Adjustment for forecast changes in the tax base	-	(1)	4	15	19	38	6	1	-	82
Total in band	-	1,772	4,767	3,754	1,570	1,239	332	62	22	13,517
Multiply by band factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Band D Equivalents	-	1,181	3,707	3,337	1,570	1,514	480	103	44	11,936
Estimated Collection Level										97.2%
Estimated 2017/18 TAX BASE										11,602

WHOLE BOROUGH (excl. St. Mary Newington & St. Saviour's)	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND	TOTAL
	- A	A	B	C	D	E	F	G	H	
Number of Chargeable Dwellings	10	8,541	29,056	27,943	20,573	14,106	5,604	3,956	550	110,339
Adjustment for the number of dwellings subject to a discount	(1)	(1,313)	(3,541)	(2,370)	(1,463)	(822)	(284)	(156)	(22)	(9,973)
Adjustment for the number of dwellings subject to a premium	-	70	92	48	30	6	4	5	4	257
Adjustment for the localised council tax support scheme	(3)	(1,857)	(5,989)	(4,092)	(2,219)	(1,101)	(178)	(52)	(2)	(15,493)
Adjustment for forecast changes in the tax base	-	(3)	18	84	186	340	74	49	5	753
Total in band	6	5,438	19,636	21,614	17,107	12,529	5,220	3,802	535	85,884
Multiply by band factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Band D Equivalents	3	3,625	15,272	19,212	17,107	15,313	7,539	6,336	1,069	85,476
Estimated Collection Level										97.2%
Estimated 2017/18 TAX BASE										83,082

APPENDIX B

COUNCIL TAX - COLLECTION ACHIEVED & PROJECTED

	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Total Debit	150,620	152,024	153,950	155,419
Exemptions	(6,793)	(6,969)	(6,556)	(5,704)
Disabled relief	(49)	(52)	(52)	(52)
Discounts	(15,075)	(14,401)	(13,763)	(12,359)
Foster Care Discount	0	(29)	(29)	(32)
Benefits & CTR	(23,283)	(22,050)	(21,116)	(20,038)
<b>Collectable debit</b>	<b>105,420</b>	<b>108,522</b>	<b>112,432</b>	<b>117,234</b>
Council Tax collected to date	(102,464)	(105,038)	(108,246)	(85,006)
Less credit balances	470	496	692	871
CTax collection to date	(101,993)	(104,543)	(107,554)	(84,135)
Future collection adjustment	(215)	(670)	(1,451)	(29,762)
<b>Total projected income</b>	<b>(102,208)</b>	<b>(105,213)</b>	<b>(109,005)</b>	<b>(113,897)</b>
Actual Collection to date (as at 30th November 2016)	-96.7%	-96.3%	-95.7%	-71.8%
<b>Projected final collection level</b>	<b>-97.0%</b>	<b>-97.0%</b>	<b>-97.0%</b>	<b>-97.2%</b>

**CABINET AGENDA DISTRIBUTION LIST (OPEN)****MUNICIPAL YEAR 2016/17**

**NOTE:** Original held by Constitutional Team; all amendments/queries to  
Paula Thornton/Virginia Wynn-Jones Tel: 020 7525 4395/7055

Name	No of copies	Name	No of copies
<b>Cabinet Members</b>		<b>Chief Officer Team</b>	
Peter John OBE	1	Eleanor Kelly	1
Stephanie Cryan	1	Deborah Collins	1
Barrie Hargrove	1	Gerri Scott	1
Richard Livingstone	1	Duncan Whitfield	1
Victoria Mills	1	David Quirke-Thornton	1
Johnson Situ	1		
Ian Wingfield	1	<b>Officers</b>	
Mark Williams	1	Doreen Forrester-Brown	1
		Jennifer Seeley	1
<b>Other Councillors</b>		Norman Coombe	1
Gavin Edwards	1	Jin Lim	1
Jasmine Ali	1		
Paul Fleming	1	<b>Others</b>	
Tom Flynn	1	Louise Neilan, Press Office	1
Eleanor Kerslake	1	Paula Thornton, Constitutional Officer	8
Maria Linforth-Hall	1		
Rebecca Lury	1		
Kieron Williams	1		
Rosie Shimell	1		
Michael Mitchell	1	<b>Total:</b>	40
		<b>Dated:</b> 16 May 2016	
<b>Electronic Versions (no hard copy)</b>			
Fiona Colley			
Anood Al-Samerai			
Maisie Anderson			
Michael Situ			
<b>Group Offices</b>			
Chris Page, Cabinet Office	1		
Niko Baar, Opposition Group Office	1		
<b>Press</b>			
Southwark News	1		
South London Press	1		