

<b>Item No.</b> 8.1	<b>Classification:</b> Open	<b>Date:</b> 26 January 2011	<b>Meeting Name</b> Council Assembly
<b>Report title:</b>		The Council Tax Base for 2011/12	
<b>Ward(s) or groups affected:</b>		The Whole Borough	
<b>From:</b>		Finance Director	

## RECOMMENDATION

1. That the Council Tax Base for 2011/12 be set at:

	<b>Number of band D equivalent properties</b>
For the parish of St. Mary Newington	13,521.88
For the parish of St. Saviour's	1,178.33
For the whole of the borough excluding the parishes of St. Mary Newington and St. Saviour's	84,293.74
<b>For the whole borough</b>	<b>98,993.95</b>

## BACKGROUND INFORMATION

2. Regulations require the Council to inform its preceptors of the council tax base by 31 January 2011.
3. This report sets out the statutory information that Members need in order to set the Council's council tax base for 2011/12. A further report will be presented to Council Assembly on 22 February 2011 setting out the level of Council Tax needed to meet the Council's expenditure for the year.

## KEY ISSUES FOR CONSIDERATION

### Council tax base for 2011/12

4. Calculation of the council tax ("the tax") is governed by the Local Government Finance Act 1992 and various regulations there under. In particular, Section 33(1) of the Act requires the basic (Band D) tax to be calculated by applying the formula:

The budget requirement less Formula Grant

**Divided by**

The Council's "Tax Base"

5. Although the Council's net budget requirement has not yet been determined, the "tax base" can be set and is subject to the Local Authorities (calculation of council tax base) Regulations 1992, made under section 33 of the Act and subsequent amendments.

Regulation 8 of the 1992 regulations requires the calculation for 2011/12 to be made between 1 December 2010 and 31 January 2011.

6. 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

7. The Council's basic tax is calculated in respect of band D. Band A properties therefore pay 6/9 of the basic tax, band B 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.
8. A calculation of the total number of dwellings net of discounts needs to be made for each of the above bands. This takes into account the number of dwellings on the official valuation list as at the 2011/12 CTB1 submission, the estimated number of dwellings that are exempt, attract disabled relief, attract single person discount, are empty, or have only disregarded residents, and estimated changes in the status of the dwellings during the year. Appendix A attached tabulates the above information for each of the bands. Line 3 of Appendix A (i) shows the total number of dwellings net of discounts for each band, which total 108,757.25
9. The line 3 total of 108,757.25 described above must be converted into the number of band D equivalents by applying the proportions shown in paragraph 6 above. The result for each of the bands is shown on line 4 of the appendix, which totals 103,118.70.
10. It is necessary to calculate the Council's Tax Base by applying an estimated collection rate to the total of all properties converted to the average equivalent property at band D shown in appendix A(i).
11. The Finance Director recommends that, based on collection performance in previous years and to date in 2010/11 (see below), a 96% assumed collection rate would give the best estimate of the likely value to be obtained from the demands issued in April 2011. A comparison of this rate to those currently levied and proposed for other inner London authorities is included as appendix B. It can be clearly seen in the Appendix that there is not a firm trend in projected collection rates within Inner London boroughs, the rate of 96% is consistent with the Inner London average, and similar to near neighbours Lambeth and Lewisham.
12. The resultant Council Tax base is calculated as follows:

**Total of the relevant amounts (appendix A (i) line 4) 103,118.70**

**Estimated collection rate 96%**

**2011/12 council tax base 98,993.95**

13. 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 are set out at Appendices A (ii & iii). 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.
14. The Council also has local discretion, granted under the Local Government Act 2003, in setting the discount for homes counted as long-term empty and second homes. These are currently:

<b>Reason</b>	<b>Discount Given</b>	<b>Local / Statutory</b>
Single Person	25%	Statutory
All except one person in household disregarded	25%	Statutory
All persons in household disregarded	50%	Statutory
Second Home	10%	Local Statutory Minimum 10% Statutory Maximum 50%
Long-term empty	0%	Local Statutory Minimum 0% Statutory Maximum 50%

### **Collection performance**

15. The Council's contract with Liberata for the collection of revenues is output based incorporating financial incentives to encourage the contractor to achieve and sustain improvements in Council Tax collection.
16. The outturn in-year collection performance during 2009/10 was disappointing. Performance for that year out-turned at 91.81%, some 0.69% or £0.6m below the contract in-year target. Arrears collection performance in 2009/10 was £3.6m, £0.5m below target.
17. Given this level of performance in respect of the in-year collection target, at the start of this financial year significant work was undertaken jointly with Liberata to refocus efforts on achievable collection and service targets. This is monitored under a jointly agreed improvement plan.
18. Current in-year collection performance during 2010/11, however, remains disappointing. The latest collection figures produced by Liberata show total in-year collection at 31 December 2010 of 78.94%. This is a lower figure on the equivalent time in December 2009 and there remains a concern that that the minimum contract performance of 92.50% will not now be achieved.

19. Performance in respect of arrears collection is also disappointing. As at 31 December 2010 this was £2.75m compared to £3.13m at a similar stage in 2009/10. Although the full year minimum collection target of £3.9m is still achievable, there remains a risk that this target will not be achieved.

20. The table below highlights Liberata's performance for in year collection over the last 6 years and compares it to the Inner London average performance.

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
In-year collection level	92.96	92.30	92.50	91.70	91.81	78.94
Inner London average	93.9	94.1	94.7	94.6	94.6	Not Available

21. Taking into account collection expected in future years, we still expect to achieve the budgeted overall collection level of 96.0% for 2010/11. See appendix D for details and the table below for a summary of projected performance for the last six financial years.

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Actual Collection level to date (31 December 2010)	96.03	96.13	96.03	95.47	94.67	83.03
Projected Final Collection Level	96.05	96.15	96.10	96.00	96.00	96.00
Budgeted Collection Rate	97.50	97.50	96.00	96.00	96.00	96.00

22. Liberata have also taken steps to strengthen their revenues management resource on the contract to provide greater expertise and resilience as this has been accepted as a weakness. A new experienced manager has been drafted in to cover previous areas of concern.

23. The Revenues Client Team have piloted a Council Tax drop in session in partnership with the CAB and DLA Piper Solicitors. This has helped contact the most hard to reach individuals and ensured liability is correct and settled.

24. The Council continues to promote the take-up of Council Tax Benefit and close working with welfare rights groups aids this purpose.

25. Nevertheless the collection of Council Tax within Southwark is difficult, and the key difficulties remain:

- (a) Database accuracy
- (b) An historic culture of non-payment and avoidance.
- (c) Preference for non-direct debit methods of payment.
- (d) Deprivation levels

26. The collection rate of 96% for 2011/12 is considered prudent given past and current performance and the risks associated with bringing this service in-house. However, this will be kept under close review through 2011/12 with an objective of increased rates in future years

27. On 29 September 2009 the Council took the decision not to extend the current contract with Liberata in 2011 and look towards an in-house solution.

### **Collection fund monitor 2010/11**

28. The estimated balance on the Collection Fund for Council Tax transactions to 31 March 2011 is a deficit of £0.087m, of which Southwark's element is £0.065m.

	£m
Southwark Council	0.065
Greater London Authority	<u>0.022</u>
<b>Total deficit</b>	<b><u>0.087</u></b>

29. The deficit must be accounted for in the council tax calculations for 2011/12 and recovered from council tax payers.

### **Revenue budget implications 2011/12**

30. Subject to Council approval, the tax base recommended and the projected deficit on the collection fund as at 31 March 2011 will be used in the calculation of the level of council tax that will be recommended to Council on 22 February 2011.

### **Consultation**

31. Calculation of the Council Tax Base forms an integral part of the revenue budget setting process for 2011/12. The budget is underpinned by the Council's draft medium term resource strategy as agreed by Cabinet on 21 December.

### **Community impact statement**

32. This report contains technical calculations relating to the Council's tax base for 2011/12. 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 2011/12 revenue budget will need to be addressed and identified as part of the final budget submission to Council Assembly on 22 February 2011.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law and Governance**

33. Section 33(1) Local Government Finance Act 1992 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) Regulations 1992 require a billing authority to use a given formula to calculate the council tax base

34. Other legal implications are set out in the body of the report.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CTB (1) Working Papers	Revenues and Benefits Client Unit, 1 London Bridge	Dominic Cain – Client & Commissioning Manager
Monitoring schedules	Revenues and Benefits Client Unit, 1 London Bridge	Dominic Cain – Client & Commissioning Manager

## APPENDICES

Appendix	Title
Appendix A (i)	Council Tax Base for 2011/12 for the Whole Area
Appendix A (ii)	Council Tax Base for 2011/12 for the Parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2011/12 for the Parish of St Saviours
Appendix A (iv)	Council Tax Base for 2011/12 for the whole area excluding the parishes of St Mary Newington and St Saviours
Appendix B	Inner London – Council Tax Collection Rates Used for Tax Setting
Appendix C	Collection of Council Tax – Statistical Information
Appendix D	Council Tax – Collection Achieved and Projected

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Finance Director	
<b>Report Author</b>	Patrick Hall, CSC and Client Services, John Braggins, Finance and Resources,	
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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