

Item No. 6.1	Classification: Open	Date: 25 January 2012	Meeting Name: Council Assembly
Report title:		The Council Tax Base for 2012/13	
Ward(s) or groups affected:		All	
From:		Finance Director	

RECOMMENDATIONS

1. That the council tax base for 2012/13 be set at:

	Number of band D equivalent properties
For the parish of St. Mary Newington	13,420.12
For the parish of St. Saviour's	1,184.39
For the whole of the borough excluding the parishes of St. Mary Newington and St. Saviour's	85,426.83
For the whole borough	100,031.34

2. That the council tax assumed collection level be increased from 96% to 96.25%

BACKGROUND INFORMATION

3. Regulations require the council to inform its preceptors of the council tax base by 31 January 2012.
4. This report sets out the statutory information that Members need in order to set the council's council tax base for 2012/13. A further report will be presented to Council Assembly in February 2012 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 2012/13

5. 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"

6. 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 2012/13 to be made between 1 December 2011 and 31 January 2012.
7. The proportions applicable to the various council tax bands (the "basic" band being D) are as follows:

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

8. 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.
9. 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 2012/13 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 109,394.00
10. The line 3 total of 109,394.00 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 103,928.67.
11. 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).
12. The Finance Director recommends that, based on collection performance in previous years and to date in 2012/13 (see below), a 96.25% assumed collection rate would give the best estimate of the likely value to be obtained from the demands issued in April 2012. 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 96.25% is consistent with the Inner London average, and similar to near neighbours Lambeth and Lewisham.
13. The resultant council tax base is calculated as follows:

Total of the relevant amounts (appendix A (i) line 4) 103,928.67

Estimated collection rate 96.25%

2012/13 council tax base 100,031.34

14. 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.
15. 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:

Reason	Discount Given	Local / Statutory
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

16. The council's contract with Liberata for the collection of revenues transferred back to the council on 1 April 2011 following a hugely successful transition programme and since then has been provided by the in-house team.
17. The outturn in-year collection performance during 2010/11 was slightly improved in their final year of the contract. Performance for that year out-turned at 92.65%, some 0.15% or £144k above the contract in-year target. Arrears collection performance in 2010/11 was £3.7m compared to £3.6m in 2009/10.
18. Since the service has returned in-house, considerable work has been undertaken to cleanse and improve the quality of the database, In addition, the processing time and administration of customer accounts has significantly improved resulting in prompt and accurate billing. Whilst this work has been undertaken and improvements have been made, it will take time to improve council tax collection to 96.25% but this is achievable.

19. Current in-year collection performance during 2011/12, remains challenging but showing signs of improvement with the latest figures for in-year collection at 31 December 2011 of 81.01%. This is a higher figure on the equivalent time in December 2010 and is forecast to achieve an outturn performance of 93%.
20. Performance in respect of arrears collection is higher compared to last year as at 31 December 2011 with collection of £2.9m compared to £2.7m at a similar stage in 2010/11. A stretch collection target of £4.5m was set at the start of the year for 2011/12 which is an increase on £0.6m from last year on the basis of improved data cleansing of all debts subject to court Liability Orders. Whilst most of this work has recently been completed and will improve collection of arrears, it is too early to estimate the collection improvement in the short term. Based on the work undertaken during this year and the timescales required to complete it, the revised forecast for arrears collection in 2011/12 has been revised down to £4m.

Collection Performance for previous tax years

21. Historically, collection performance has been low compared to other London Borough's and this has been reflected in the collection rate not only for collection in year but in total for the tax year over a 6 year period. Collection performance for each year of council tax for the last 6 years, when the service was outsourced to Liberata, has taken a considerable of time to achieve a collection rate marginally above 96%. The council tax collection and achieved and projected final collection is detailed in Appendix C.
22. Since the service returned in-house in April 2011, the following have been completed in the first year;
 - (a) Correspondence maintained within 10 day turnaround since July with improvements in processing quality,
 - (b) Reviewed 16,000 aged closed accounts resulting in excess of £7m of irrecoverable debt to be written off,
 - (c) Reviewed and data cleansed 55,000 accounts including 33,000 Liability Orders that had been returned from bailiffs,
 - (d) Reviewed 16,000 Liability Orders for council tenant debtors and appropriate enforcement action instigated,
 - (e) Reviewed all enforcement debt stages and "joined up" debts to allow a single view and action to be taken on the full debt owed,
 - (f) Reviewing all large debts to ensure appropriate enforcement action is being taken including bankruptcy and charging orders, where appropriate
 - (g) Reviewing all Southwark Council Tenant debts and working closely with Housing to ensure contact is made and appropriate enforcement action is taken
23. The collection rate of 96.25% for 2012/13 is considered achievable given that the service is now being delivered in-house and the work that is being undertaken above. However, as the in-house service has effectively been operational for 9 months, it is considered too soon to increase in the collection rate above this for 2012/13.
24. Consideration has also been given to the age and status of debt when the service transferred in-house, the current economic climate and the high levels of transience and deprivation in Southwark which make collection increasingly challenging.

Collection fund monitor 2011/12

25. The estimated balance on the Collection Fund for council Tax transactions to 31 March 2012 is a deficit of £0.166m, of which Southwark's element is £0.124m.

	£m
Southwark Council	0.124
Greater London Authority	0.042
Total deficit	0.166

26. The deficit must be accounted for in the council tax calculations for 2012/13 and recovered from council tax payers.

Revenue budget implications 2012/13

27. Subject to council approval, the tax base recommended and the projected deficit on the collection fund as at 31 March 2012 will be used in the calculation of the level of council tax that will be recommended to council on 29 February 2012.

Consultation

28. Calculation of the council Tax Base forms an integral part of the revenue budget setting process for 2012/13. The budget is underpinned by the council's draft medium term resource strategy as agreed by Cabinet on 21 June 2011.

Community impact statement

29. This report contains technical calculations relating to the council's tax base for 2012/13. 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 2012/13 revenue budget will need to be addressed and identified as part of the final budget submission to Council Assembly on 29 February 2012.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

30. 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.
31. 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, 160 Tooley Street, London SE1 2QH	Dominic Cain 020 7525 0636

APPENDICES

Appendix	Title
Appendix A (i)	Council Tax Base for 2012/13 for the Whole Area
Appendix A (ii)	Council Tax Base for 2012/13 for the Parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2012/13 for the Parish of St Saviours
Appendix A (iv)	Council Tax Base for 2012/13 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	Council Tax – Collection Achieved and Projected

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Norman Lockie, Revenues and Benefits John Braggins, Finance and Resources,	
Version	Final	
Dated	13 January 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	13 January 2012	