

<b>Item No.</b> 6.1	<b>Classification:</b> Open	<b>Date:</b> 26 January 2016	<b>Meeting Name:</b> Council Assembly
<b>Report title:</b>		The Council Tax Base for 2016/17	
<b>Ward(s) or groups affected:</b>		The Whole Borough	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATIONS

1. That council assembly note that in accordance with the decisions of council assembly about council tax on 28 November 2012:
  - 1) That the local discretionary premium for homes counted as long-term empty (over 2 years) shall remain unchanged and be set at 150%, this premium is statutory and is the maximum that can be charged.
  - 2) That the discount for second homes shall remain unchanged and be set at 0%.
  - 3) That the discount to replace class A exemptions shall remain unchanged and be set at 0%.
2. That the local discount for empty and unfurnished properties be set to zero with effect from 1 April 2016, as discussed in paragraphs 16 to 17.
3. That the council tax base for 2016/17 be set at 91,231.00 band D equivalent dwellings, as shown in paragraph 41.
4. That the assumed council tax collection level should be increased to 97.00% noting the risks outlined in paragraph 31.
5. That the council tax base for 2016/17 for St. Mary Newington be set at 10,978.81 band D equivalent dwellings.
6. That the council tax base for 2016/17 for St. Saviour's be set at 1,174.07 band D equivalent dwellings.
7. That the council tax reduction scheme (CTRS) for both working and pensionable age claimants shall remain unchanged in 2016/17, and note the consequential reduction in tax base of 17,997 band D equivalent dwellings as shown in paragraph 50.
8. 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 2015/16.
9. Note that, as for 2015/16, the NNDR1 (National non-domestic rates) 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**

10. Regulations require the council to inform its preceptors of the council tax base by 31 January 2016.
11. This report sets out the statutory information that members need in order to set the council's council tax base for 2016/17. 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 2016/17.

## **KEY ISSUES FOR CONSIDERATION**

### **Council tax discounts**

12. In November 2012 council assembly agreed a discount and exemption scheme to apply from 2013/14. This is in accordance with the statutory requirements or local discretion as granted under the Local Government Act 2003. No changes are proposed to the scheme for 2016/17/.
13. On discounts for single persons, the council is required under statute to offer a 25% discount.
14. On discounts for "all except one person in a household disregarded" is required under statute to offer a 25% discount.
15. On 28 November 2012, Council assembly agreed a recommendation from cabinet to replace Class A and C exemptions and introduce local discounts from 1 April 2013.
16. Class A discounts were abolished with effect from 1 April 2013, based on an analysis of 2014/15 data, it has been estimated that the abolition of the Class C discount would generate an additional £500k to the general fund. This would lead to an additional £237k cost to be borne by the HRA. This discount is the only one that can be changed, the rest are statutory, or have previously been removed.
17. Removal of the local discount for empty and unfurnished properties would bring the council into line with 24 of the 33 London boroughs who do not award a discount in these circumstances.
18. There are no other proposed changes to council tax discounts for 2016/17 the position will be as follows:

<b>Reason</b>	<b>Local / Statutory</b>	<b>Discount</b>
Single Person	Statutory	25%
All except one person in household disregarded *	Statutory	25%
All persons in household disregarded (note a)	Statutory	50%
Second Home	Local discretion within statutory minimum 0% and statutory maximum 50%	0%
Discount to replace Class A exemptions (note b)	Local	0%
Discount to replace Class C exemptions (note c)	Local	0%
Empty (unoccupied) but furnished	Local	0%

**Notes**

- a 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.
- b Class A exemptions were abolished with effect from 1st April 2013, these allowed up to 12 months tax free for properties that were uninhabitable or undergoing major works.
- c Class C exemptions were also abolished with effect from 1st April 2013. These allowed up to 6 months tax free for properties that were empty and unfurnished.

19. Where properties are empty for over two years, property owners will be charged full council tax and an additional 50% making a total of 150%, allowing the council to levy more council tax.

<b>Reason</b>	<b>Local / Statutory</b>	<b>Premium</b>
Empty for over two years	Local discretion within statutory minimum 0% and statutory maximum 50%	50%

**Council tax base for 2016/17**

20. Calculation of the council tax ("the tax") is governed by the Local Government Finance Act 1992 ('the Act') and various regulations there under. 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".

21. 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) (England) Regulations 2012, made under section 33 of the Act and subsequent amendments. Regulation 8 of the 2012 Regulations requires the calculation for 2016/17 to be made between 1 December 2015 and 31 January 2016.
22. 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

23. There is an additional band reported on the schedules, band –A (5/9 of band D). This only arises where a person in a band A property receives a one band reduction through disabled relief.
24. The council's basic tax is calculated in respect of band D. The bands are based on the above proportions, so Band A properties therefore 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.

### **Council tax collection rate performance**

25. The 2015/16 in-year collection performance as at the end of December 2015 is 80.89% (2014/15 was 81.30%). The performance compared to the same time last year is slightly lower and this is due to the removal of single person discounts which has increased the collectable amount by £500k to £113m during the month. Taking account of this, performance is consistent with 2014/15.
26. Arrears collection as at the end of December 2015 is £3.5 million against the annual target of £3.4 million (2014/15 was £2.9m against £3m target).
27. Southwark continues to improve council tax collection despite the impact of the council tax reduction scheme and increasing the collectable amount. This has been reflected in the collection rate not only for collection in year but in total for the tax year over a six year period. The council tax collection and achieved and projected final collection is detailed in Appendix B.
28. A high level of customer service continues to be provided with prompt responses to customer enquiries and processing of changes to the council tax records. Ensuring customers receive timely and accurate bills is key to maximising collection.

29. Identifying accounts that should be written off continues to be part of business as usual activity alongside operational collection activity. With collection improving, less irrecoverable debt is being written off.
30. During 2015/16 2,714 single person discounts have been removed as part of the review process (2014/15 was 2,200).
31. The strategic director of finance and governance recommends that, based on collection performance in previous years and to date in 2015/16, a 97.00% assumed collection rate in 2016/17 would give the best estimate of the likely value to be obtained from the demands issued in April 2016 (2015/16 was 96.75%).
32. Consideration has also been given to the age and status of debt, the current economic climate and the high levels of transience and deprivation in Southwark which make collection challenging.
33. The collection rate of 97.00% for 2016/17 is considered achievable given the continued improvement and the work described in paragraphs 25 to 31 above. However, as there are still considerable uncertainties arising from the accumulated effects of welfare reform.

#### **Calculation of the Council Tax Base**

34. 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.
35. A calculation of the total number of dwellings net of discounts needs to be made for each of the bands A to H. This takes into account the number of dwellings on the official valuation list as at the 2016/17 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.
36. The figures from the CTB1 submission are taken at October 2015, an adjustment has been made to forecast these figures to obtain a more representative estimate for 2016/17.
37. As a result of the regeneration of the borough, there has been a shift in the bandings of Southwark's residential dwellings. The table below shows the movements away from bands A B and C into bands D and above since 2010/11.

% of dwellings per council tax band

	Council Tax Bands								Total %
	A %	B %	C %	D %	E %	F %	G %	H %	
2010/11	9.7	29.6	26.1	16.2	10.5	4.5	3.0	0.4	100.0
2011/12	9.1	29.6	26.1	16.4	10.8	4.5	3.1	0.4	100.0
2012/13	9.1	29.2	26.0	16.6	11.0	4.6	3.1	0.5	100.0
2013/14	8.9	29.0	25.8	16.9	11.2	4.6	3.1	0.4	100.0
2014/15	8.8	28.7	25.7	17.0	11.6	4.7	3.1	0.5	100.0
2015/16	8.8	28.4	25.6	17.2	11.9	4.7	3.1	0.5	100.0

38. Appendix A tabulates the above information for each of the bands. Line 5 of Appendix A (i) shows the total number of dwellings net of discounts for each band, which total 98,713.89.
39. The line 5 total of 98,713.89 described above must be converted into the number of band D equivalents by applying the proportions shown in paragraph 22 above. The result for each of the bands is shown on line 6 of appendix A, which totals 94,052.58.
40. 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).
41. The resultant council tax base is calculated as follows:

**Total of the relevant amounts (Appendix A (i) line 6) 94,052.58**

**Estimated collection rate 97.00%**

**2016/17 council tax base 91,231.00**

42. The table below shows the tax bases before and after the application of the collection rate, lines 6 and 8 respectively in Appendix A.

	Number of band D equivalent properties	Number of band D equivalent properties after collection rate applied
For the parish of St. Mary Newington	11,318.36	10,978.81
For the parish of St. Saviour's	1,210.38	1,174.07
For the whole of the borough excluding the parishes of St. Mary Newington and St. Saviour's	81,523.84	79,078.12
<b>For the whole borough</b>	<b>94,052.58</b>	<b>91,231.00</b>

43. 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 and 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.
44. A comparison of how the proposed 2016/17 tax base compares with the 2015/16 tax base is shown below. If the CTRS adjustments are excluded the council tax base has increased by 2.5%, in 2015/16 the taxbase, excluding CTRS, increased by 2.3% from 2014/15.

	Band D equivalent properties			
	2015/16	2016/17	Change	% Change
Number of Chargeable dwellings	121,285	123,900	2,615	2.2%
Adjustments for discounts	(12,209)	(12,104)	105	(0.9%)
Adjustments for premiums	195	253	58	29.7%
<b>Tax base excluding CTRS</b>	<b>109,271</b>	<b>112,049</b>	<b>2,778</b>	<b>2.5%</b>
CTRS adjustment	(18,597)	(17,997)	600	(4.6%)
<b>Total tax base before collection rate adjustment</b>	<b>90,674</b>	<b>94,052</b>	<b>3,378</b>	<b>3.7%</b>

45. The CTRS caseload has reduced gradually during 2015/16, 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 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.

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

46. 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 2016/17 budget report for approval by council assembly on 24 February 2016.

### **Collection fund monitor 2015/16**

47. The collection fund monitor continues to be worked on, and the forecast position will be reported in the Policy and Resources Strategy 2016/17 to 2018/19: balanced budget report to 27 January cabinet. Any resulting surplus or deficit must be accounted for in the council tax calculations for 2016/17.

### **Revenue budget implications 2016/17**

48. Subject to council assembly approval, the tax bases recommended in this report and the projected surplus / deficit on the collection fund as at 31 March 2015 will be used in the calculation of the level of council tax that will be recommended to council assembly on 24 February 2016.

### **Council tax reduction scheme (CTRS)**

49. On 28 November 2012, a report was presented to council assembly that set out the background and approach that had been adopted in relation to the CTRS. Council assembly agreed to the adoption of a CTRS that capped council tax support entitlement at 85% of current council tax benefit (CTB) entitlement levels and abolished the second adult rebate for non-pensioners in 2013/14.
50. The council tax reduction scheme replaced council tax benefit and is passed on to claimants through a discount. Current estimates show that for 2016/17 this will reduce the overall council tax base by 18,875 properties (17,997 band D equivalents) before adjustment for collection.
51. In accordance with the regulations, officers developed a CTRS policy for both pension age and working-age claimants and used as its base the previous CTB rules and regulations. This approach was considered to deliver the least amount of change for existing claimants, for staff administering the scheme and indeed those professional groups who were and are engaged in offering advice and support to claimants.
52. On 23 January 2013, council assembly was presented with the council tax base report within which the full CTRS policy document was referenced and attached. The decision of council assembly confirmed the adoption of this policy. Members are referred to that report for the detail of the written policy.
53. On 23 January 2013, council assembly 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, in consultation with the monitoring officer. It is expected that the Department for Communities and Local Government (DCLG) will continue to release further guidance, amendments and or corrections to the previously published complex regulations and which will result in additions and minor changes to the wording of the policy document itself. Officers consider therefore that these changes should not require council assembly approval and that the decision making on

these future changes should remain delegated to the strategic director of finance and governance, in consultation with the monitoring officer. No changes have been made by the strategic director of finance and governance under delegated authority during 2015/16, none are planned for 2016/17.

54. On 22 January 2014, council assembly agreed to retain the existing CTRS that capped council tax support entitlement at 85% for working age customers and removed second adult rebate for non-pensioners in 2014/15.
55. On 20 March 2014, a decision was formally published under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to include minor amendments to the existing CTRS policy.
56. On 21 January 2015, council assembly agreed to retain the existing CTRS that capped council tax support entitlement at 85% for working age customers and removed second adult rebate for non-pensioners in 2015/16.

### **Consultation**

57. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2016/17. The budget is underpinned by the council's medium term resource strategy as agreed by council assembly on 24 February 2016.

### **Community impact statement**

58. This report contains technical calculations relating to the council's tax base for 2016/17.
59. 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 2016/17 revenue budget will need to be addressed and identified as part of the final budget submission to council assembly on 24 February 2016.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

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

60. The Director of Law and Democracy advises that decisions relating to the budget and the setting of local taxation are reserved to council assembly under Part 3A of the council's constitution. Therefore council assembly is enabled to agree all of the recommendations in this report.
61. 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
62. Where a member has at least two months' arrears of council tax he or she must not vote on any matter which:
  - 1) relates directly to the setting of the next year's council tax; or

- 2) Recommends income or expenditure forming part of the next year's levy;  
or
  - 3) Relates to income or expenditure in the current year which is in excess of the current budget.
63. When a matter as described in paragraph 62 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.

#### **Recommendations 1 to 5 - council tax base**

64. 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.

#### **Recommendation 6 to 7 - council tax reduction scheme (CTRS)**

65. On 23 January 2013 council assembly adopted the CTRS written policy which had been developed by officers. This was in accordance with the decision making powers reserved to council assembly under Part 3A of the council's constitution.
66. On 23 January 2013 council assembly 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, in consultation with the monitoring officer. The report author has outlined at paragraph 53 of the report the reasoning why officers consider any future minor and consequential changes should remain delegated to the strategic director of finance and corporate services in consultation with the monitoring officer. It is confirmed that council assembly has the power to delegate any of its decision making functions to an officer pursuant to section 101(1) of the Local Government Act 1972.
67. In respect of all recommendations, council assembly 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 (i)	Council Tax Base for 2016/17 for the whole borough
Appendix A (ii)	Council Tax Base for 2016/17 for the Parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2016/17 for the Parish of St Saviours
Appendix A (iv)	Council Tax Base for 2016/17 for the whole borough excluding the parishes of St Mary Newington and St Saviours
Appendix B	Council Tax – Collection Achieved and Projected

## AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	John Braggins, Finance and Governance Norman Lockie, Finance and Governance	
Version	Final	
Dated	11 January 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	No
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		11 January 2016