

Item No. 27.	Classification: Open	Date: 12 December 2017	Meeting Name: Cabinet
Report title:		The Council Tax Base for 2018-19	
Ward(s) or groups affected:		London Borough of Southwark (all wards)	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

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

In this report Cabinet is asked to agree the council tax base and assumed collection rate upon which we will estimate our council tax income for next year's budget. I am delighted to say that thanks to the hard work of the council the number of homes has yet again increased considerably and that we are recommending an increase of over 5% in the band D equivalent dwellings to use as the base. Whilst collection remains strong the introduction of Universal Credit presents a risk to council tax collection and so we are recommending that the collection rate assumption remains unchanged at 97.2%.

I had hoped to use this report to increase the council tax premium on empty homes from 50% to 100% as promised in the Chancellor of the Exchequer's budget speech. Sadly it seems that this new power for local authorities will not be available until April 2019 at the earliest. I have no doubt that Southwark will make use of this power at the earliest possible opportunity, both to seek to raise more income to support services and as a deterrent to homes being left empty.

Also in this report I am delighted to announce the introduction of a new exemption from Council Tax for young people leaving Southwark's care. Leaving home is a key moment in a young person's life and it can be particularly difficult for looked after children. It is our duty as "corporate parents" to ensure young people in our care get that best start in life. That's why we are reforming the Southwark Young People's 16+ Support & Resettlement Service, to ensure care leavers get the support and assistance they need and that's why we are today officially supporting the Children's Society's campaign and agreeing to exempt our 18 to 24 year old care leavers from Southwark council tax.

RECOMMENDATIONS

1. Cabinet approve the schedule of discounts and exemptions in paragraph 13, which remains unchanged from 2017-18.
2. Cabinet note that the council tax reduction scheme (CTRS) for both working and pensionable age claimants shall remain unchanged in 2018-19.
3. Cabinet agree the council tax base for 2018-19 be set at 100,884 (95,941 in 2017-18) band D equivalent dwellings.

4. Cabinet agree the assumed council tax collection level should remain at 97.20% for 2018-19 (97.20% in 2017-18) noting the risks outlined in paragraphs 25 and 26.
5. Cabinet note the council tax base for 2018-19 for St. Mary Newington parish be set at 11,936 (11,602 in 2017-18) band D equivalent dwellings.
6. Cabinet note the council tax base for 2018-19 for St. Saviour's parish be set at 1,267 (1,257 in 2017-18) band D equivalent dwellings.
7. 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 2017-18.
8. That cabinet note that, as for 2017-18, 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).
9. Cabinet to note the proposed extension of the current council tax section 13a policy¹ covering discretionary relief (refer to paragraph 18):
 - **to introduce council tax discretionary relief (0% to 100%) for young people leaving Southwark council's care aged 18 to 24 years, for the period 1 April 2018 to 31 March 2019.**
 - to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2018 to 31 March 2019.

BACKGROUND INFORMATION

10. Regulations require the council to inform its preceptors of the council tax base by 31 January 2018.
11. This report sets out the statutory information that is needed in order to set the council's council tax base for 2018-19. A further report will be presented to council assembly in February 2018 setting out the level of council tax needed to meet the council's expenditure for the year 2018-19.

KEY ISSUES FOR CONSIDERATION

12. 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
 - Southwark council tax section 13a policy – discretionary relief
 - Council tax reduction scheme
 - Council tax collection rate
 - Calculation of the council tax base
 - Non-Domestic Rates (NDR)

¹ Southwark Council Tax Section 13a (1)(c) policy for 2017-18

- Revenue budget implications 2018-19

Council tax discounts, exemptions and premiums

13. All council tax discounts, exemptions and premiums from 2017-18 remain unchanged for 2018-19. The overall position is as follows:

Type of Council Tax Discounts, Exemptions and Premiums	Para	Local / Statutory	Discount/ Premium
Single Person		Statutory	-25%
All except one person in household disregarded	14	Statutory	-25%
All persons in household disregarded	14	Statutory	-50%
Second Home	15	Local	0%
Discount to replace Class A exemptions	16	Local	0%
Discount to replace Class C exemptions	17	Local	0%
Empty (unoccupied) but furnished		Local	0%
Empty for over 2 years (premium)		Local	+50%

14. 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.
15. Second home discount schemes are left to local discretion, between a statutory minimum of 0% and statutory maximum of 50%.
16. 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.
17. Class C exemptions were abolished with effect from 1st April 2013. These allowed up to 6 months tax free for properties that were empty and unfurnished.

Southwark council tax section 13a policy – discretionary relief

18. The council's 2017-18 section 13a policy allows for local council tax discretionary relief to be awarded to council tax payers falling into prescribed categories.

From 2018-19, the council's section 13a policy will introduce a new initiative to include council tax discretionary relief for young people leaving Southwark council's care aged 18 to 24 years, who are liable for council tax.

Currently, foster carers are able to claim discretionary relief in 2017/18. The proposed extension of the current council tax section 13a policy covering discretionary relief is as follows:

- **to introduce council tax discretionary relief (0% to 100%) for young people leaving Southwark Council's care aged 18 to 24 years, for the period 1 April 2018 to 31 March 2019.**
- to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2018 to 31 March 2019.

The decision to amend the s13a policy is taken by the Strategic Director of Finance and Governance, as authorised under the council constitution.

Council tax reduction scheme

19. 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 the council'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.
20. 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 2018-19.
21. The CTRS caseload has continued to reduce gradually during 2017-18, 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.
22. The council tax reduction scheme replaced council tax benefit and is passed on to claimants through a discount. Current estimates show that for 2018-19 this will reduce the overall council tax base by 17,465 properties before adjustment for collection rate.

Council tax collection rate

23. The 2017-18 collection performance as at 30 November 2017 is 70.0% (30 November 2016 was 71.8%). Performance compared with the same period last year is slightly 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 30 November 2017 is £2.1m compared with the annual target of £3.6m, (on 30 November 2016 this was £2.8 million against an 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 2017-18, a 97.20% assumed collection rate in 2018-19 would give the best estimate of the likely value to be obtained from the demands issued in April 2018 (appendix B). However, there are still considerable uncertainties arising from the accumulated effects of welfare reform.
26. The impact of Universal Credit (UC) will continue to be felt as system design causes delays in claimants receiving payments. Furthermore, UC claimants are not automatically making an application for CTRS, which would have been processed automatically in the past. This is leading to delays in customers

paying both rent and council tax. Those that do claim CTRS are finding it increasingly difficult to clear their arrears in-year and are falling into a cycle of debt which may take several years to clear.

27. In addition to the above, other welfare reforms such as changes to tax credits and the social size criteria (bedroom tax) are affecting the ability of those on the lowest income to meet their obligations to the council.
28. The collection fund monitor continues to be worked on, and the forecast position will be reported in the Policy and Resources Strategy 2018-19 balanced budget report to cabinet in January 2018. Any estimated surplus or deficit must be accounted for in the council tax calculations for 2018-19.

Calculation of the council tax base

29. 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."
30. Although the council's net budget requirement for 2018-19 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 2018-19 to be made between 1 December 2017 and 31 January 2018.
31. The proportions applicable to the various council tax bands (the "basic" band being D) are as follows:

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

32. There is an additional 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 (appendix A).
33. 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.
34. The calculation of the tax base is summarised below - refer to appendix A(i):

Total of the relevant amounts	103,790
Estimated collection rate	97.20%
2018-19 council tax base	100,884

35. 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 (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.

Non-Domestic Rates (NDR)

36. The NNDR² government statistical return will be authorised by the council's section 151 officer (Strategic Director of Finance and Governance).

Revenue budget implications 2018-19

37. Subject to cabinet approval, the tax bases recommended in this report and the projected surplus / deficit on the collection fund as at 31 March 2018 will be used in the calculation of the level of council tax that will be recommended to council assembly in February 2018.

Consultation

38. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2018-19. The budget is underpinned by the council's medium term resource strategy as agreed by cabinet.

Community impact statement

39. This report contains technical calculations relating to the council's tax base for 2018-19.
40. 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 2018-19 revenue budget will need to be addressed and identified as part of the final budget submission to council assembly in February 2018.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

41. 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.
42. Members are reminded that Section 106 of the Local Government Finance Act 1992 ("the Act") places restrictions on the ability of members in arrears of council tax to vote in meetings on certain financial matters.
43. Where a member has at least two months' arrears of council tax he or she must not vote on any matter which:

² National Non-Domestic Rates

- 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.

44. When a matter as described in paragraph 43 is to be considered at a meeting the member affected must declare that section 106 of the Act 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.
45. The legal basis for agreeing the recommendations relating to the setting of the council tax base is found under section 31B of the Act 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.
46. 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.
47. Cabinet is reminded that the council is subject to the public sector equality duty in section 149 Equality Act 2010, and attention is drawn to the community impact section of the report in this regard. The duty requires the council, in the exercise of all its functions, to have due regard to the need to
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The duty is a continuing one.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council tax base for 2017-18	160 Tooley Street, London SE1 2QH	Revenues and Benefits Team Norman Lockie
Link: copy and paste into web browser http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=5376&Ver=4 (item 20 The Council Tax Base for 2017-18)		

APPENDICES

Appendix	Title
Appendix A (i)	Council Tax Base for 2018-19 for London Borough of Southwark (All Wards)
Appendix A (ii)	Council Tax Base for 2018-19 for the parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2018-19 for the parish of St Saviour's
Appendix A (iv)	Council Tax Base for 2018-19 for the London Borough of Southwark, excluding the parishes of St Mary Newington and St Saviour's
Appendix B	Council Tax – Collection Achieved and Projected

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Authors	Jade Cheung, Finance and Governance Norman Lockie, Finance and Governance	
Version	Final	
Dated	4 December 2017	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		4 December 2017