

Item No: 2.3	Classification: Open	Date: 26 February 2020	Meeting Name: Council Assembly
Report title:		Setting the Council Tax 2020-21	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the 2020-21 Southwark element of the council tax for band D properties in Southwark, including an increase of 1.99% and an increase of 2% for the adult social care precept be set at **£1,108.81**.
2. That the 2020-21 formal resolution for Southwark council taxes in 2020-21 be approved (appendix A).
3. That no discount be applied to properties in the former parish of St Mary Newington for 2020-21.
4. That no discount be applied to properties in the former parish of St Saviour's for 2020-21.
5. That council assembly notes the Greater London Authority (GLA) proposal to set a precept level of **£332.07** at band D, which the GLA will consider on 24 February 2020.
6. That the existing local war disability and war widow/ers' schemes for housing benefit be continued in 2020-21.

BACKGROUND INFORMATION

7. Under the Local Government Finance Act 1992, the council is required to determine the level of council taxes in the borough for 2020-21. This must be completed before 11 March 2020.
8. The 2011 Localism Act requires a "council tax requirement" to be reported.
9. The Greater London Authority intends to agree its precept based on the GLA budget proposals on 24 February 2020, after this council tax setting report is made public. Following the GLA approving its precept, there will be a requirement for council assembly to confirm Southwark council's total council tax for 2020-21 (Southwark council tax plus the GLA precept) on 26 February 2020.
10. This report reflects the recommendations of the Policy and Resources Strategy 2020-21 revenue budget considered by council assembly on 26 February 2020. This reflects increasing the Southwark element of council tax by a total of **1.99%** for 2020-21 being up to the **2%** council tax increase level allowed for, without a referendum.

11. A 2% increase for the adult social care precept for 2020-21 was allowed for in the Local Government Finance Settlement 2020-21. This equates to **£21.32** for a band D equivalent for 2020-21.

Most recently, the council has maximised its usage of the adult social care precept of 3% in both 2017-18 and 2018-19. Included in the band D council tax in 2020-21 are historical cumulative ASC precept amounts as follows (appendix B):

Year	ACS %	£
2020-21	2%	21.32
2019-20	0%	0
2018-19	3%	29.30
2017-18	3%	27.91
2016-17	2%	18.24
Total band D		96.77

KEY ISSUES FOR CONSIDERATION

Council tax for London borough of Southwark

12. The budget requirement for Southwark council is **£294,292,477** as shown in the Policy and Resources 2020-21 report. This reflects the final local government finance settlement for 2020-21.
13. Southwark's council tax requirement for 2020-21 is calculated as follows:

	2019-20	2020-21
	£	£
Budget requirement	290,424,755	294,292,477
Less retained business rates	(125,972,144)	(80,015,402)
Less business rates top-up (plus tariff)	(23,902,930)	(35,853,705)
Less revenue support grant	0	(36,447,923)
Less estimated business rates growth, net of business rates collection fund (surplus)/deficit	(26,158,000)	(22,702,000)
Less estimated council tax collection fund surplus	(3,860,000)	(1,424,685)
Council tax requirement	110,531,681	117,848,762

14. The council tax requirement of **£117,848,762** when divided by the 2020-21 council dwellings tax base for Southwark of **106,284** (97.2% 109,346 dwellings) agreed by cabinet on 17 December 2019, gives a band D council tax requirement for Southwark council services only, of **£1,108.81** for 2020-21 which is a **£42.54** increase on 2019-20 (appendix B).
15. The council tax for a band D property is shown in the table below. Full details of council tax levels for all property bands are shown in the appendices.

	Band D £			
	2019-20 £	2020-21 £	change %	Increase £
Southwark council tax*	1,066.27	1,108.81	3.99%	42.54
GLA precept	320.51	332.07	3.61%	11.56
Total band D council tax	1,386.78	1,440.88	3.90%	54.10
*Including:				
Adult social care precept			2.00%	21.32
Southwark element			1.99%	21.22

Greater London Authority (GLA) precept

16. Total council tax must include the amount required by the GLA as a preceptor, with Southwark council having no control over the level of the GLA precept.
17. The Greater London Authority (GLA) intends to confirm its precept on 24 February 2020. The draft GLA budget proposes an increase of **£11.56** to give a demand on the band D council tax of **£332.07** for 2020-21, which is a **3.61%** increase on the 2019-20 GLA precept.

Differential council taxes

18. Under the council tax legislation, surpluses on special funds can be used to reduce the level of council taxes. There are special funds in two areas of the borough.

The former parish of St. Mary Newington - Walworth Common Estate

19. A council tax reduction was applied in 2009-10 and 2015-16. An assessment of the trust fund's position was undertaken for 2020-21. Due to continuing low interest rates, there will be insufficient balance available on this account at 31 March 2020 to reduce the level of council tax for St. Mary Newington. This position will be reviewed in the future.

The former parish of St. Saviour's - Borough Market

20. There has been no surplus declared by Borough Market, consequently there will be no balance available on this account at 31 March 2020 to reduce the level of council tax for this area.

Housing benefit - local scheme

21. For the purpose of calculating housing benefits, local authorities are allowed discretion in disregarding war disability pension and war widow/ers' pensions above the fixed disregard required by law, currently £10.00.
22. The council's local schemes, like most schemes in London, currently disregard the whole of these pensions for the calculation of benefits. Benefit expenditure under the local schemes does not qualify for subsidy. There are currently 12 people receiving the disregard at an estimated cost of £28,498 (from 2020-21 these cases will reduce to 11). Benefit expenditure under the local scheme for

2019-20 attracts subsidy at 75% capped at 0.2% of the total benefit cost to the authority.

23. It is considered that the withdrawal of the local scheme focused on this small number of people would cause undue hardship. It is however for council assembly to decide the level of pension that should be disregarded. This could range from the statutory relief of £10.00 to the total amount of a pension.
24. Each year the council has to decide formally whether to continue with the existing scheme or to make changes to it. Council assembly is recommended to agree the continuation of the local scheme. The full disregard has been included in the budget proposals.

Council Tax Reduction Scheme (CTRS)

25. In order to address this issue a minor change to the application process for CTRS to accept notifications of new Universal Credit (UC) awards from the Department for Work and Pensions (DWP) is being introduced from the 1 April 2020. This removes the need for new UC claimants to make a separate application for council tax reduction (CTR) and will support low income residents who may otherwise fail to seek support. As noted in the council tax base report 2020-21 in December 2019 this was a delegated decision approved by the Strategic Director of Finance and Governance. This change does not affect those residents of pensionable age whose CTR awards are subject to separate government prescribed legislation. Other than this administrative change, CTRS remains unchanged.

Community impact statement

26. The community impact implications of both the budget requirement and the increase in council tax levels are addressed in the Policy and Resources Strategy 2020-21 – revenue budget.

Consultation

27. The council consults with relevant stakeholders with regards to the wider policy and resources strategy process. The council has complied with the requirements of Section 65 of the Local Government Finance Act 1992 by consulting with business rate payers on spending plans for the forthcoming year.

SUPPLEMENTARY ADVICE

Director of Law and Democracy

28. Council assembly is being asked to agree the formal resolution setting the Southwark element of the council tax for 2020-21 and to approve the local war disability and war widow/ers' schemes for housing benefit in 2020-21.
29. Section 30 of the Local Government Finance Act 1992 ("the 1992 Act") requires that the council assembly sets an amount of council tax for each financial year and for each category of dwellings in its area.
30. The amount is calculated by taking the aggregate of the calculations made by the authority under sections 31A, 31B and 34 to 36 of the 1992 Act together with

the precept issued to the authority by the GLA. Preceptors must issue their precepts before 1 March preceding the financial year to which they relate.

31. Once the authority has set the amount of council tax relating to the different geographical areas of the borough (under Section 30 of the 1992 Act), the amounts for each valuation band are then calculated according to the ratios set out in section 5 of the 1992 Act. That council tax requirement (required by sections 31A, 31B and 34 to 36 of the 1992 Act) is also to be agreed by council assembly.
32. Section 25 of the Local Government Act 2003 requires the chief finance officer (strategic director of finance and governance) to report to the authority when it is making the calculations required by sections 31A, 31B and 34 to 36 of the LGFA 1992 on (a) the robustness of the estimates made for the purposes of the calculations, and (b) the adequacy of the proposed financial reserves. That information is set out in the Policy and Resources Strategy 2020-21 – revenue budget. The authority is required to have regard to the chief financial officer's report when making the calculations.

Adult social care precept

33. The adult social care precept is 2% for 2020-21 as allowed in the Local Government Finance Settlement 2020-21. Paragraph 11 shows the historical adult social care precept total value, which is in the base council tax band D equivalent for 2020-21.

Restrictions on Voting Under Section 106 of the Local Government Finance Act 1992

34. Section 106 of the 1992 Act applies at any time to a member of an authority, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months.
35. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed sum of council tax. Therefore members are advised that this section is likely to apply to them if they are currently two months in arrears of any amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.
36. If this section applies to any member, they at the relevant meeting, and as soon as practicable after its commencement, must disclose the fact that the section applies and not vote on any question with respect to this matter.
37. The relevant meetings are those at which any of the following are the subject of consideration, namely:
 - (a) Any calculation required by chapter III, IV, V of Part 1 of the 1992 Act.

The only calculations likely to be made by this authority are those under chapter III of part 1 of the 1992 Act, (chapter IV relates to precepting and chapter V limitations on council tax (i.e. capping).

The chapter III calculations include the calculation of the budget requirement, basic amount of tax, the additional requirements because of

the special trust funds, the calculation of the tax for the different valuation bands and the basic amount of council tax to be set under Section 30.

- (b) Any recommendation, resolution or other decision which might affect the making of any such calculation.

This is an extremely wide wording and would extend well beyond merely setting the budget. It applies to virtually any matter where the financial implications directly or indirectly might affect the calculations concerning the council tax. It would therefore apply to decisions concerning the level or extent of services as well as the expenditure, receipt or forgoing of any money.

- (c) The exercise of any function under Schedules 2-4 of the Local Government Finance Act 1988 ("the 1988 Act") and 1992 Act.

The functions under either the 1988 or 1992 Acts concern the administration and the enforcement of community charge and council tax respectively.

- 38. Section 106 of the 1992 Act makes it a criminal offence for a member to vote when prohibited from doing so or to fail to make the necessary disclosure. There is a statutory defence, with the onus of proof on the member, to prove that he/she did not know that the section applied to him or her at the time of the meeting or that the matter in question was the subject of consideration at the meeting. Prosecutions shall not be instituted except by or on behalf of the Director of Public Prosecutions.

Housing Benefits - Local Schemes

- 39. Council assembly is also being asked to agree the continuation of the disregard of war disablement pensions and war widow/ers' pensions for benefit purposes.
- 40. The council is required to make this decision annually.

REASONS FOR URGENCY

- 41. The council is required to set a lawful budget by 11 March 2020.

REASONS FOR LATENESS

- 42. The final local government finance settlement was published on 6 February 2020 and is subject to Parliamentary approval of the Local Government Finance Report. The parliamentary motion relating to the Local Government Finance Report has been deferred until 24 February 2020. On 12 February 2020 the council was informed by the Education and Skills Funding Agency that the council's request to switch funding between Dedicated Schools Grant (DSG) funding blocks had been refused. This decision had potentially significant impact on the council's revenue reserves and DSG recovery plan, requiring consideration of the council's response.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council Tax Base for 2020-21	160 Tooley Street London SE1 2QH	Norman Lockie 020 7525 0928 Jade Cheung 020 7525 3809
http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=6571 Item 14		
Policy and Resources Strategy 2020-21 – revenue budget	160 Tooley Street London SE1 2QH	Duncan Whitfield, Strategic Director of Finance and Governance
21 January 2020 cabinet report http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=6418		
4 February 2020 cabinet report http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=6419 Item 16 Policy and Resources Strategy 2020-21		
The Mayor's budget for 2020-21	Greater London Authority City Hall The Queen's Walk More London London SE1 2AA	enquiries 020 7983 4100 minicom 020 7983 4458
https://www.london.gov.uk/about-us/governance-and-spending/spending-money-wisely/mayors-budget?source=vanityurl		

APPENDICES

No.	Title
Appendix A	2020-21 formal resolution for Southwark council tax
Appendix B	2020-21 council tax changes (Southwark council excluding preceptors)
Appendix C	2020-21 council tax changes (Southwark council including preceptors)

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jade Cheung, Corporate Finance	
Version	Final	
Dated	18 February 2020	
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	18 February 2020	