

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 8 December 2020	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		The Council Tax Base for 2021-22	
<b>Ward(s) or groups affected:</b>		All wards	
<b>From:</b>		Councillor Rebecca Lury, Finance & Resources	

## **FOREWORD – COUNCILOR REBECCA LURY, CABINET MEMBER FOR FINANCE AND RESOURCES**

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. We are recommending a decrease of **-0.57%** (606) in band D equivalent dwellings to use as the 2021-22 council tax base to **105,678** (106,284 in 2020-21). Whilst collection remains difficult and uncertain in the midst of the Covid-19 pandemic together with welfare reform and the economic downturn; we are recommending that the collection rate assumption remains unchanged at **97.2%**.

I am pleased to confirm a continuation in the local discretionary increase in the council tax premium on long-term empty homes from 1 April 2021. The premium remains at the maximum permitted with a new 300% premium effective for dwellings empty for at least 10 years:

- 100% for those dwellings empty for 2 years and less than 5 years;
- 200% for dwellings empty for at least 5 years but less than 10 years; and
- 300% premium for dwellings empty for at least 10 years.

Southwark will benefit from the raising of more income to support services and as a deterrent to homes being left empty for significant periods.

I am also pleased to announce no significant changes in the council tax reduction scheme for 2021-22 for our pension age or vulnerable and least well off households. It is more important than ever that we continue to support these groups against a background of Government welfare reform impacts and the economic downturn highlighted elsewhere in this report.

Finally, we are delighted to announce the continuation of the exemption from council tax for young people leaving Southwark's care and for Southwark foster carers. Both of these exemptions have been successful in supporting our care leavers as they make the often challenging next move in life, and in recruiting and retaining vital local foster carers as well as recognising the hugely important commitment these individuals and families make to Southwark. It is our assumption that these exemptions will continue long into the future but we are currently required to renew these commitments annually.

## RECOMMENDATIONS

1. That cabinet approve the schedule of discounts and exemptions in paragraph 12, which remains unchanged, with an exception for long-term empty dwellings (empty at least 10 years), effective from 1 April 2021 onwards.
2. That cabinet agree the council tax base for 2021-22 is set at 105,678 (106,284 in 2020-21) band D equivalent dwellings.
3. That cabinet agree the assumed council tax collection level should remain at 97.20% for 2021-22 (97.20% in 2020-21) noting the risks outlined in paragraphs 23, 24 and 25.
4. That cabinet note the council tax base for 2021-22 for St. Mary Newington parish is set at 11,896 (11,994 in 2020-21) band D equivalent dwellings.
5. That cabinet note the council tax base for 2021-22 for St. Saviour's parish is set at 1,246 (1,346 in 2020-21) band D equivalent dwellings.
6. That cabinet note:
  - no changes to the council tax reduction scheme for 2021-22, as set out in paragraphs 19 to 22
  - 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.
7. That cabinet note the NNDR1 return for 2021-22 showing the national non-domestic rates base will be approved by the Strategic Director of Finance and Governance in January 2021.
8. That cabinet note the proposed continuation of the current council tax section 13a (1)(c) policy<sup>1</sup> covering discretionary relief terms (refer to paragraph 18):
  - to continue 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 2021 to 31 March 2022
  - to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2021 to 31 March 2022.

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<sup>1</sup> Southwark Council Tax Section 13a (1)(c) policy for 2020-21

## BACKGROUND INFORMATION

9. Regulations require the council to inform its preceptors of the council tax base by 31 January 2021.
10. This report sets out the statutory information that is needed in order to set the council's council tax base for 2021-22. A further report will be presented to council assembly in February 2021 setting out the level of council tax needed to meet the council's net expenditure for the year 2021-22.

## KEY ISSUES FOR CONSIDERATION

11. 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)
  - Revenue budget implications 2021-22.

### Council tax discounts, exemptions and premiums

12. All council tax discounts, exemptions and premiums from 2020-21 remain unchanged for 2021-22, with an exception for long-term empty dwellings, which have been empty for at least 10 years where a new premium of 300% will apply. The overall position effective from 1 April 2021 is below:

Type of Council Tax Discounts, Exemptions and Premiums	Para	Local / Statutory	Discount / Premium
Single person discount	13	Statutory	-25%
All except one person in household disregarded	13	Statutory	-25%
All persons in household disregarded	13	Statutory	-50%
Second home discount	14	Local	0%
Empty dwelling (unoccupied) but furnished		Local	0%
Empty dwelling for greater than 2 years <sup>2</sup> and less than 5 years – continuing premium	15	Local	+100%
Dwellings empty for at least 5 years but less than 10 years	15	Statutory	+200%
Dwellings empty for at least 10 years (new premium)	15	Statutory	+300%

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<sup>2</sup> Local Government Finance Act 2012, section 11B

13. 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.
14. Second home discount schemes are left to local discretion, between a statutory minimum of 0% and statutory maximum of 50%.
15. A higher council tax premium for long-term empty dwellings was introduced by the government<sup>3</sup> in 2018. From 1 April 2021, the maximum percentage increase for long-term empty properties is a premium of 100% for empty dwellings greater than 2 years and less than 5 years; for dwellings empty for at least 5 years but less than 10 years, the premium is 200%; for dwellings empty for at least 10 years, the new premium is 300% (refer to paragraph 12).
16. The change stated in paragraph 15 has effect for financial years beginning on or after 1 April 2021, and it does not matter whether the “empty” period begins before the Council Tax (Empty Dwellings) Act 2018 came into force.

#### **Southwark council tax section 13a policy – discretionary relief**

17. The council’s 2021-22 section 13a policy allows for local council tax discretionary relief to be awarded to council tax payers falling into prescribed categories.
18. There is no change in 2021-22 to the council’s section 13a policy, which continues with the 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. Foster carers are able to claim discretionary relief. The proposed extension of the current council tax section 13a policy covering discretionary relief is as follows:
  - to continue 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 2021 to 31 March 2022 (a fourth year for this scheme)
  - to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2021 to 31 March 2022.

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

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<sup>3</sup> Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

## **Council tax reduction scheme**

19. Since 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 2021-22.
21. The CTRS caseload reduced gradually between 2013-14 and 2019-20, leading to an increase in the tax base. However, since April 2020 there has been a significant increase in the caseload with 4,000 additional new awards. Analysis shows that this is due to the large number of residents making claims for Universal Credit (UC) that now qualify for CTR, during the period of the pandemic.
22. Current estimates show that for 2021-22 this will reduce the overall council tax base by 18,624 properties before adjustment for the collection rate.

## **Council tax collection rate**

23. The collection performance as at 30 November 2020 was 71.1% (30 November 2019 was 72.8%).
24. Arrears collection as at 30 November 2020 was £0.48m compared with the annual target of £3.6m (on 30 November 2019 this was £2.3m against an annual target of £3.6m).
25. The Strategic Director of Finance and Governance recommends a **97.2%** assumed collection rate in 2021-22 would give the best estimate of the likely value to be obtained from the council tax demands issued in April 2021. This is based on collection performance in previous years and to date in 2020-21. However, there are still considerable uncertainties arising from the accumulated effects of welfare reform and the economic/financial impacts of the Covid-19 pandemic following two lockdown periods to date in 2020-21.
26. The impact of Universal Credit (UC) will continue to be felt as increasing numbers of residents and council tax payers' transition or migrate to the new system.
27. In addition to the above, other welfare reforms such as the benefit cap, the benefit freeze and the social size criteria reduction (bedroom tax) are

affecting the ability of those on the lowest incomes to meet their obligations to the council.

28. The 2020-21 collection fund forecast surplus or deficit will be reported in the Policy and Resources Strategy 2021-22 balanced revenue budget report to cabinet in January 2021. Any collection fund estimated surplus or deficit must be accounted for in the council tax calculations for 2021-22 subject to new regulations on the phasing of an in year council tax deficit arising from 2020-21, resulting from Covid-19 effects.

### **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 2021-22 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 2021-22 to be made between 1 December 2020 and 31 January 2021.
31. 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	6/9
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	<b>108,722</b>
Tax base collection rate	<b>97.20%</b>
2021-22 council tax base	<b>105,678</b>

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 tax base 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 tax base.

### **Non-Domestic Rates (NDR)**

36. The NNDR<sup>14</sup> government statistical return will be authorised by the council's Strategic Director of Finance and Governance in January 2021.

### **Revenue budget implications 2021-22**

37. Subject to cabinet approval, the council tax bases recommended in this report and the projected surplus / deficit on the collection fund as at 31 March 2021 will be used in the calculation of the level of council tax that will be recommended to council assembly in February 2021.

### **Consultation**

38. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2021-22. The budget is supported by the council's medium term resource strategy as agreed by cabinet.

### **Community / equality impact statement**

39. This report contains technical calculations relating to the council's tax base for 2021-22.
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 2021-22 revenue budget will need to be addressed and identified as part of the final budget submission to council assembly in February 2021.

## **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

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<sup>4</sup> National Non-Domestic Rates

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:
  - 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.

## REASON FOR LATENESS

48. The council tax base calculation is sourced from Northgate systems information as at the end of 30 November 2020. As in previous years these reports are only available after month end on 1 December 2020 and the figures require interpretation, analysis and evaluation in a short period of time.

## REASON FOR URGENCY

49. The council tax base calculation for 2021-22 must be made between 1 December 2020 and 31 January 2021. The figure is used for revenue budget setting purposes and has historically been reported to members at the December cabinet.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council tax base 2021-22	Southwark council 160 Tooley Street, London SE1 2QH	Finance and Governance <a href="mailto:Jade.cheung@southwark.gov.uk">Jade.cheung@southwark.gov.uk</a>
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=6571">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=6571</a> (item 14 The Council Tax Base for 2020-21)		

## APPENDICES

Appendix	Title
Appendix A (i)	Council Tax Base for 2021-22 for London Borough of Southwark (all wards)
Appendix A (ii)	Council Tax Base for 2021-22 for the parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2021-22 for the parish of St Saviour's
Appendix A (iv)	Council Tax Base for 2021-22 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

<b>Cabinet Member</b>	Councillor Rebecca Lury, Finance and Governance	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Authors</b>	Jade Cheung, Finance and Governance	
<b>Version</b>	Final	
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<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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