

Item No. 7.2	Classification: Open	Date: January 24 2007	Meeting Name Council Assembly
Report title:		The Council Tax Base for 2007/2008	
Ward(s) or groups affected:		The Whole Borough	
From:		Finance Director	

RECOMMENDATION

1. That the Council Tax Base for 2007/2008 be set at:

	Number of band D equivalent properties
For the parish of St. Mary Newington	12,986.43
For the parish of St. Saviour's	1,149.08
For the whole of the borough excluding the parishes of St. Mary Newington and St. Saviour's	77,656.38
For the whole borough	91,791.89

BACKGROUND INFORMATION

2. Regulations require the Council to inform its preceptors of the Council Tax Base by 31st January 2007.
3. This report sets out the statutory information that Members need in order to set the Council's Council Tax Base for 2007/2008. A further report will be presented to Council Assembly on 21st February 2007 setting out the level of Council Tax needed to meet the Council's expenditure for the year.
4. 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"

5. 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 the Local Authorities (Calculation of Council Tax Base)(Amendment) England Regulations 1999. Regulation 8 of the 1992 Regulations require the calculation to be made some time between 1st December 2006 and 31st January 2007.

6. 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

7. 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.
8. 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 valuation list, 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. In previous years the Council has set its tax base solely on the basis of figures taken from the official valuation list as at 10th October 2006. However, the regulations permit the Council to also take account of the best current information in respect of residency and an assessment of the likely changes during the year. The Finance Director recommends that it is prudent for the Council to adopt this approach. On this basis, Line 3 of Appendix A (i) shows the total number of dwellings net of discounts for each band, which total 101,171.84.
9. The line 3 total of 101,171.84 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 95,616.55.
10. These figures incorporate expected movements in the property base in the remainder of 2006/07 and 2007/8.
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 B and D shown in the appendix.
12. Given that the impact of expected movements in the property base have already been taken in to account, the Finance Director recommends that a 96% assumed collection rate would give the best estimate of the likely value to be obtained from the demands issued in April 2007. A comparison of this rate to those currently levied and proposed for other inner London Authorities is included as appendix B. It will be clearly seen that a rate of 96% is consistent with that set by authorities with a similar collection performance to Southwark.

13. The resultant Council Tax base is calculated as follows:

Total of the relevant amounts (Appendix A (i) line 4) 95,616.55

Estimated collection rate 96%

2007/2008 Council Tax Base 91,791.89

14. Additional earmarked income may be available from Trust Funds, which can adjust 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).

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
Long-term empty	0%	Local

COLLECTION PERFORMANCE

16. The Council's contract with Liberata for the collection of revenues is output based incorporating financial incentives to encourage the contractor to achieve and sustain improvements in Council Tax collection.

17. In year collection performance to date during 2006/2007 has been disappointing. Current projections suggest that performance this year is unlikely to exceed 91.25%, some 2% below the contract in year target.

18. The table below highlights Liberata's performance for in year collection over the last 6 years and compares it to the Inner London average performance.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	%	%	%	%	%	%
In year Collection Level	90.23	91.95	92.01	93.2	92.96	91.25(latest projection)
Inner London Average	91.1	91.9	92.0	92.9	93.9	Not Available

Taking into account collection in respect of previous years, Liberata are expecting to achieve a total collection level of 95.5% for 2006/07. See appendix C for details and the table below for a summary of projected performance for the last seven years.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	%	%	%	%	%	%	%
Actual Collection level to date (31st December 2006)	94.65	93.98	94.87	94.91	94.88	94.29	83.01
Projected Final Collection Level	94.83	94.28	95.32	95.48	95.87	95.57	95.5

19. The Council continuously reviews the collection process with Liberata and several changes to recovery have been instigated this year. These include: an increased number of cases taken to court for failure to provide financial information, a revised selection and monitoring process of cases selected for bankruptcy, and more extensive use of bailiffs (including a pilot scheme of using the bailiff service to issue 14 day letters and set up and monitor attachment to earnings and deductions of benefit which will enable faster movement of enforcement remedies).
20. A telephone "cold calling" project has recently commenced and council tax debtors are now telephoned to chase payment. The project has now been extended to include pre liability order debts and the aim is to telephone tax payers as soon as they miss their monthly instalment and also to chase for payment after the issue of a reminder or final notice to prompt immediate payment and avoid the issue of a summons. To date over 9,000 calls have been made by Liberata.
21. Direct debit remains at the forefront of publicity and 46.62% of accounts are now paid in this way. Efforts continue to encourage this as the cheapest and most beneficial way to pay Council Tax.
22. Nevertheless the collection of Council Tax within Southwark is difficult, and the key difficulties remain:-
 - (a) An historic culture of non-payment and avoidance.
 - (b) Preference for non-direct debit methods of payment.
 - (c) Deprivation levels
23. Whilst persistent debtors can be targeted by recovery action such as bailiff distraint and bankruptcy, these efforts are ineffective if the debtor is on a low income and such methods of recovery cannot be effectively used. It is in such circumstances that arrears build up and only long-term arrangements can be entered into. The failure of these is high and affects the speed of debt recovery. Constant negotiation and debtor chasing results in a slow rate of recovery.
24. The Council continues to promote the take-up of Council Tax Benefit and close working with welfare rights groups aids this purpose.
25. Liberata's Chief Executive is aware of the current issues and aspirations in terms of the future and has given an undertaking to significantly improve performance.

26. As stated above, a number of initiatives are already in place to improve collection performance. A number of further new initiatives will take place in 2007/8 including:

- working with the Customer Services Centre to proactively chase debts
- a project to look at introducing payment options within the Call Centre and One Stop Shops
- an aggressive marketing campaign for persistent non-payers followed through by prompt recovery action within the courts
- learning from best practice within other better performing Liberata sites and sharing of resources
- improvements in valuation of new properties ensuring prompt billing – continued joint working with both internal and external organisations

27. Southwark has also requested from Liberata a more robust approach to quality management, ensuring that Council Tax accounts are more effectively administered from billing to any recovery action.

COLLECTION FUND MONITOR 2006/07

28. The estimated balance on the Collection Fund for Council Tax transactions to 31st March 2007 is a deficit of £899,157.

	£
Southwark Council	669,872
Greater London Authority	<u>229,285</u>
Total deficit	<u>899,157</u>

The deficit is due mainly to a lower than expected council tax collection rate. Southwark's element of this deficit will need to be recovered in 2007/08.

REVENUE BUDGET IMPLICATIONS 2007-8

30. Subject to Council approval, the Tax Base recommended, will be used in the calculation of the level of Council Tax that will be recommended to Council on 21st February

CONSULTATION

31. Calculation of the Council Tax Base forms an integral part of the revenue budget setting process for 2007/2008. The budget is underpinned by the Council's medium term financial strategy and Corporate Plan. Executive agreed an updated medium term financial strategy for the period 2007/2008 to 2010/2011 in September 2006, whilst Council Assembly will consider the latest Corporate Plan on 21st February 2007.

COMMUNITY IMPACT STATEMENT

32. This report contains technical calculations relating to the Council's Tax Base for 2007/2008. 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 2007/8 Revenue Budget will need to be addressed and

identified as part of the final budget submission to Council Assembly on 21st February 2007.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CTB (1) Working Papers Monitoring schedules	Revenues and Benefits Client Unit, 1 London Bridge	Dominic Cain – Client & Commissioning Manager

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Cliff Robinson, Head of Exchequer Services	
Version	Final	
Dated	12 th January 2007	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments Included
Borough Solicitor & Secretary	No	No
Finance Director	Yes	Yes
Executive Member	Yes	No
Date final report sent to Constitutional Support Services	12 th January 2007	

COUNCIL TAX BASE FOR 2007/2008 FOR THE WHOLE AREA – FOR COUNCIL TAX SETTING

	BAND - A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
(a) Number of Chargeable Dwellings per Valuation List		12,450.00	37,030.00	31,438.00	18,338.00	11,805.00	5,338.00	3,820.00	501.00	120,720.00
(b) Estimated number of Dwellings not listed (f.y.e.)		0	0	0	0	0	0	0	0	0.00
(c) Estimated number of Dwellings listed, which will not be in that Band (f.y.e.)		-35	-142	-25	-5	0	-4	-1	0	-212.00
(d) Estimated number of Exempt Dwellings etc		-572	-1,593	-1,295	-674	-501	-186	-63	-25	-4,909.00
(e) Number of Dwellings falling into the Band as a result of disabled relief	7	22	48	67	32	28	18	7	0	229.00
(f) Number of Dwellings falling out of the Band as a result of disabled relief	0	-7	-22	-48	-67	-32	-28	-18	-7	-229
1 Revised Number of Chargeable Dwellings (a+b+c+d+e+f)	7	11,858	35,321	30,137	17,624	11,300	5,138	3,745	469	115,599
Number of Discounts:										
(g) Estimated number @ 25% (No of properties x 1)	-5	-8,717	-22,059	-13,969	-6,552	-3,383	-1,360	-708	-65	-56,818.94
(h) Estimated number of @ 50% (No of properties x 2)	0	-30	-93	-62	-52	-60	-36	-56	-34	-424.74
(I) Estimated number of @ 10% (No of properties x 0.4)	0	-23	-74	-94	-68	-81	-67	-50	-8	-465.00
(j) Total Appropriate Percentage Discounts (g+h+i)	-5.03	-8,770.84	-22,226.54	-14,125.42	-6,672.29	-3,524.16	-1,463.25	-813.86	-107.29	-57,708.68
2 Total deducted from Chargeable Dwellings at 25% (j) x 25%	-1.26	-2,192.71	-5,556.63	-3,531.36	-1,668.07	-881.04	-365.81	-203.46	-26.82	-14,427.16
3 Total in Band ((1) - (2))	5.74	9,665.29	29,764.37	26,605.64	15,955.93	10,418.96	4,772.19	3,541.54	442.18	101,171.84
Band Factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
4 Number of Band D Equivalents	3.19	6,443.53	23,150.07	23,649.46	15,955.93	12,734.28	6,893.16	5,902.57	884.36	95,616.55
5 Estimated Collection Level										0.960
6 Estimated 2007/2008 TAX BASE (4) x (5)										91,791.89

COUNCIL TAX BASE FOR 2007/2008 FOR ST MARY NEWINGTON – FOR COUNCIL TAX SETTING

	BAND - A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
(a) Number of Chargeable Dwellings per Valuation List		3,673	7,426	4,997	1,762	1,157	375	50	12	19,452
(b) Estimated number of Dwellings not listed (f.y.e.)		0	0	0	0	0	0	0	0	0
(c) Estimated number of Dwellings listed, which will not be in that Band (f.y.e.)		0	0	0	0	0	0	0	0	0
(d) Estimated number of Exempt Dwellings etc		-164	-349	-270	-154	-111	-23	-5	-1	-1,077
(e) Number of Dwellings falling into the Band as a result of disabled relief	1	5	9	6	5	1	0	0	0	27
(f) Number of Dwellings falling out of the Band as a result of disabled relief	0	-1	-5	-9	-6	-5	-1	0	0	-27
1 Revised Number of Chargeable Dwellings (a+b+c+d+e+f)	1	3,513	7,081	4,724	1,607	1,042	351	45	11	18,375
Number of Discounts:										
(g) Estimated number @ 25% (No of properties x 1)	-1.00	-2,509.00	-4,251.00	-2,054.00	-612.00	-302.00	-96.00	-5.00	-1.00	-9,831.00
(h) Estimated number of @ 50% (No of properties x 2)	0.00	-2.00	-8.00	-14.00	0.00	-6.00	-6.00	-2.00	-2.00	-40.00
(i) Estimated number of @ 10% (No of properties x 0.4)	0.00	-7.20	-12.00	-12.40	-8.00	-6.00	-3.20	-0.40	0.00	-49.20
(j) Total Appropriate Percentage Discounts (g+h+i)	-1.00	-2,518.20	-4,271.00	-2,080.40	-620.00	-314.00	-105.20	-7.40	-3.00	-9,920.20
2 Total deducted from Chargeable Dwellings at 25% (j) x 25%	-0.25	-629.55	-1,067.75	-520.10	-155.00	-78.50	-26.30	-1.85	-0.75	-2,480.05
3 Total in Band ((1) - (2))	0.75	2,883.45	6,013.25	4,203.90	1,452.00	963.50	324.70	43.15	10.25	15,894.95
Band Factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
4 Number of Band D Equivalentts	0.42	1,922.30	4,676.97	3,736.80	1,452.00	1,177.61	469.01	71.92	20.50	13,527.53
5 Estimated Collection Level										0.960
6 Estimated 2007/2008 TAX BASE (4) x (5)										12,986.43

COUNCIL TAX BASE FOR 2007/2008 FOR THE WHOLE BOROUGH EXCLUDING THE PARISHES OF ST MARY NEWINGTON & ST SAVIOURS - FOR COUNCIL TAX SETTING

	BAND - A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
(a) Number of Chargeable Dwellings per Valuation List		8,720	29,321	26,117	16,409	10,479	4,855	3,625	451	99,977
(b) Estimated number of Dwellings not listed (f.y.e.)		0	0	0	0	0	0	0	0	0
(c) Estimated number of Dwellings listed, which will not be in that Band (f.y.e.)		-35	-142	-25	-5	0	-4	-1	0	-212
(d) Estimated number of Exempt Dwellings etc		-406	-1,230	-1,011	-517	-386	-160	-56	-21	-3,787
(e) Number of Dwellings falling into the Band as a result of disabled relief	6	17	38	61	26	27	18	7	0	200
(f) Number of Dwellings falling out of the Band as a result of disabled relief	0	-6	-17	-38	-61	-26	-27	-18	-7	-200
1 Revised Number of Chargeable Dwellings (a+b+c+d+e+f)	6	8,290	27,970	25,104	15,852	10,094	4,682	3,557	423	95,978
Number of Discounts:										
(g) Estimated number @ 25% (No of properties x 1)	-4.03	-6,162.30	-17,654.46	-11,751.21	-5,874.32	-3,021.85	-1,224.78	-660.57	-60.42	-46,413.94
(h) Estimated number of @ 50% (No of properties x 2)	0.00	-28.20	-84.60	-48.40	-52.34	-54.39	-30.23	-52.36	-32.22	-382.74
(i) Estimated number of @ 10% (No of properties x 0.4)	0.00	-16.15	-61.68	-81.41	-55.64	-72.52	-62.03	-42.32	-5.25	-397.00
(j) Total Appropriate Percentage Discounts (g+h+i)	-4.03	-6,206.64	-17,800.74	-11,881.02	-5,982.29	-3,148.76	-1,317.05	-755.26	-97.89	-47,193.68
2 Total deducted from Chargeable Dwellings at 25% (j) x 25%	-1.01	-1,551.66	-4,450.18	-2,970.26	-1,495.57	-787.19	-329.26	-188.81	-24.47	-11,798.41
3 Total in Band ((1) - (2))	4.99	6,738.34	23,519.82	22,133.74	14,356.43	9,306.81	4,352.74	3,368.19	398.53	84,179.59
Band Factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
4 Number of Band D Equivalent	2.77	4,492.23	18,293.19	19,674.44	14,356.43	11,374.99	6,287.29	5,613.65	797.06	80,892.05
5 Estimated Collection Level										0.960
6 Estimated 2007/2008 TAX BASE (4) x (5)										77,656.38

APPENDIX B

Inner London - Council Tax Collection Rates Used for Tax Setting

Target Total Collection when tax base set					
	2003/04	2004/05	2005/06	2006/07	Proposed 2007/08
	%	%	%	%	%
Camden	96.25	96.50	96.50	97.00	NA
Greenwich	95.00	95.00	95.00	95.00	95.00
Hackney	83.00	86.00	90.00	91.00	92.00
Hammersmith and Fulham	97.50	97.50	97.50	97.50	97.50
Islington	96.40	98.80	96.80	96.80	96.80
Kensington and Chelsea	95.50	94.80	98.50	96.20	NA
Lambeth	97.00	95.00	95.00	95.00	95.00
Lewisham	96.35	96.18	96.18	96.18	96.18
Southwark	96.25	97.50	97.50	97.50	96.00
Tower Hamlets	97.00	97.00	97.00	97.00	97.00
Wandsworth	95.00	95.00	95.00	95.00	95.00
Westminster	95.00	95.00	95.00	96.00	96.00
Inner London Average	95.19	95.58	96.04	95.87	

COUNCIL TAX - COLLECTION ACHIEVED AND PROJECTED

APPENDIX C

	2000/2001 £'000	2001/2002 £'000	2002/2003 £'000	2003/2004 £'000	2004/2005 £'000	2005/2006 £'000	2006/2007 £'000
Total Debit	88,447	95,321	101,432	111,893	117,497	122,197	127,094
Exemptions	-4,139	-4,592	-5,021	-5,629	-6,262	-6,294	-5,587
Disabled Relief	-35	-38	-39	-40	-38	-40	-41
Discounts	-11,457	-12,242	-13,182	-14,373	-13,566	-14,060	-14,329
Collectable Debit	72,816	78,449	83,190	91,851	97,631	101,803	107,137
Council Tax collected to date	-51,619	-56,148	-60,746	-66,357	-70,464	-73,153	-66,398
Less Credit Balances	194	621	1,090	674	518	516	1,520
Less Costs paid	508	526	559	835	757	704	450
Estimated future collection	-131	-235	-374	-524	-967	-1,303	-13,380
Total projected Council Tax	-51,048	-55,236	-59,471	-65,372	-70,156	-73,236	-77,808
Council Tax Benefits	-18,000	-18,725	-19,827	-22,328	-23,443	-24,058	-24,508
Total Projected Income	-69,048	-73,961	-79,298	-87,700	-93,599	-97,294	-102,316
Actual Collection level to date (31st December 2006)	94.65%	93.98%	94.87%	94.91%	94.88%	94.29%	83.01%
Projected final collection level	94.83%	94.28%	95.32%	95.48%	95.87%	95.57%	95.50%

Collection of Council Tax – Statistical Information

Volumes		Category
2006/07	2005/06	
121,253	122,361	Number of Council Tax Accounts
84,006	92,786	Number of Accounts where a payment has been made.
33,973	35,882	Number of Council Tax Accounts in receipt of Benefit
5,213	16,307	Number of Summons arrangements
1,316	610	Number of Attachment of Earnings in force.
3,151	3,460	Number of Attachment of Benefits in force.
39,797	40,878	Number paying by Direct Debit
81,106	61,108	Number of Reminders
9,493	11,456	Number of Final Reminders
29,941	23,125	Number of Summonses
15,744	14,995	Number of Bailiff Referrals
115	299	Number of committal/Regulation 36 cases

2006/07 data provided as at 11th January 2007