

Item No. 13.	Classification: Open	Date: 6 December 2022	Meeting Name: Cabinet
Report title:		The Council Tax Base for 2023-24	
Ward(s) or groups affected:		London Borough of Southwark (all wards)	
From:		Councillor Stephanie Cryan, Communities, Equalities and Finance	

FOREWORD FROM COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COMMUNITIES, EQUALITIES AND FINANCE

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 small increase of +1.78% (1,907) in band D equivalent dwellings to use as the 2023-24 council tax base at 109,174 (107,267 in 2022-23). Whilst collection remains difficult and uncertain in the current economic climate, we are recommending that the collection rate assumption remains unchanged at 97.2%.

I am again pleased to confirm a continuation in the local discretionary increase in the council tax premium on long-term empty homes in 2023-24. The premium remains at the maximum permitted 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 changes in the council tax reduction scheme for 2023-24 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 a cost of living crisis and global economic downturn.

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. Cabinet agree the council tax base for 2023-24 is set at 109,174 (107,267 in 2022-23) band D equivalent dwellings (appendix A).
2. Cabinet approve the schedule of discounts and exemptions in paragraph 11, which remains unchanged and will continue to be effective for 2023-24 from 1 April 2023. This is including the premium applicable for long-term empty dwellings (empty at least 10 years).
3. Cabinet agree the assumed council tax collection level for 2023-24 should remain at 97.20% (2022-23 97.20%) noting the risks outlined in the report.
4. Cabinet note the 2023-24 council tax base for St. Mary Newington parish is set at 12,509 (12,262 in 2022-23) band D equivalent dwellings.
5. Cabinet note the 2023-24 council tax base for St. Saviour's parish is set at 1,262 (1,229 in 2022-23) band D equivalent dwellings.
6. Cabinet to note:
 - no changes to the council tax reduction scheme (CTRS) for 2023-24, as set out in paragraphs 18 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. Cabinet to note the proposed continuation of the current council tax section 13a (1)(c) policy¹ covering discretionary relief terms (refer to paragraphs 16 to 17):
 - 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 2023 to 31 March 2024;
 - to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2023 to 31 March 2024.

¹ Southwark council tax section 13a (1)(c) policy

BACKGROUND INFORMATION

8. Regulations require the council to inform its preceptors of the council tax base by 31 January 2023.
9. This report sets out the statutory information that is needed in order to set the council's council tax base for 2023-24. A further report will be presented to council assembly and council tax setting committee in February 2023 setting out the level of council tax needed to meet the council's net expenditure for the financial year 2023-24.

KEY ISSUES FOR CONSIDERATION

10. 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
 - Revenue budget implications 2023-24

Council tax discounts, exemptions and premiums

11. All council tax discounts, exemptions and premiums from 2022-23 remain unchanged for 2023-24, including no changes for long-term empty dwellings, which have been empty for at least 10 years where a premium of 300% will apply. This is however, subject to change in future years. The overall position effective from 1 April 2023 is shown below:

Type of Council Tax Discounts, Exemptions and Premiums	Para	Local / Statutory	Discount/ Premium
Single person discount	12	Statutory	-25%
All except one person in household disregarded	12	Statutory	-25%
All persons in household disregarded	12	Statutory	-50%
Second home discount	13	Local	0%
Empty dwelling (unoccupied) but furnished	14	Local	0%
Empty dwelling for greater than 2 years ² and less than 5 years - continuing premium	14	Local	+100%
Dwellings empty for at least 5 years but less than 10 years	14	Statutory	+200%
Dwellings empty for at least 10 years - continuing premium	14	Statutory	+300%

12. Occupants may be disregarded for the purposes of establishing the billable amount. Qualifying students, for example, are disregarded, and households

² Local Government Finance Act 2012, section 11B

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.

13. Second home discount schemes are left to local discretion, between a statutory minimum of 0% and statutory maximum of 50%.
14. A higher council tax premium for long-term empty dwellings was introduced by the government³ in 2018.
 - Effective from 1 April 2021 onwards, 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 11).
15. The change stated in paragraph 14 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

16. Southwark council's 2023-24 section 13a policy allows for local council tax discretionary relief to be awarded to council tax payers falling into prescribed categories.
17. There is no change in 2023-24 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 2023 to 31 March 2024 (a fifth year for this scheme)
 - to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2023 to 31 March 2024.
18. The decision to amend the section 13a policy by extending the duration was taken by the Strategic Director of Finance and Governance, as authorised under the council constitution.

³ Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

Council tax reduction scheme

19. There is no change in the council tax reduction scheme for 2023-24.
20. 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.
21. 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 2023-24.
22. The CTRS caseload reduced gradually between 2013-14 and 2019-20, leading to an increase in the tax base. From April 2020 there was an increase in the caseload due to the number of residents that made claims for Universal Credit (UC) that then qualified for CTR during the period of the COVID-19 pandemic. However, as the economy recovered from the pandemic the number of residents qualifying for CTR has steadily fallen again with the caseload now closer to pre-pandemic levels. Nevertheless, as CTR caseloads correlate with wider economic trends, rising levels of inflation and the ongoing cost of living crisis mean that caseload trends will continue to be closely monitored.
23. Current estimates show that for 2023-24 this will reduce the overall council tax base by 16,426 properties before adjustment for the collection rate (appendix A).

Council tax collection rate

24. The council is also required to estimate its collection rate for 2023-24 at the same time as arriving at the estimated number of properties within the tax base. In arriving at a percentage collection rate for 2023-24, the council considers the likely sum to be collected, previous collection experience and any other relevant factors.
25. The actual sum to be collected from local council taxpayers cannot be finally determined until the preceptor's requirements are known and the council has approved its budget. The council therefore must make an estimate of the sums to be collected locally making estimated allowance for sums from council tax support and write-offs/non-collection.
26. The collection performance as at 30 November 2022 was 72.7% (30 November 2021 was 69.0%). Refer to appendix B.

27. Arrears collection as at 30 November 2022 was £3.76m compared with the annual target of £3m (on 30 November 2021 this was £1.88m against an annual target of £3m).
28. The Strategic Director of Finance and Governance recommends a **97.2%** assumed collection rate in 2023-24 would give the best estimate of the likely value to be obtained from the council tax demands issued in April 2023. This is based on collection performance in previous years and to date in 2022-23. However, there are still considerable uncertainties arising from the worsening macro-economic environment, the cost of living crisis, and high inflationary pressures.
29. The 2022-23 collection fund forecast surplus or deficit will be reported in the Policy and Resources Strategy 2023-24 balanced revenue budget report to cabinet in January 2023. Any collection fund estimated surplus or deficit must be accounted for in the council tax calculations for 2023-24 subject to regulations on the phasing of any previous in year council tax deficits arising from 2021-22, resulting from Covid-19 effects.

Calculation of the council tax base

30. 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.
31. Although the council’s net budget requirement for 2023-24 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 2023-24 to be made between 1 December 2022 and 31 January 2023.
32. 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

33. 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).

34. 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.
35. The calculation of the tax base is summarised below - refer to appendix A(i):

Total of the relevant amounts	112,319
Tax base collection rate	97.2%
2023-24 council tax base	109,174

36. Additional earmarked income may be available from trust funds, which can subsidise 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.

Revenue budget implications 2023-24

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 2023 will be used in the calculation of the level of council tax that will be recommended to council assembly and the council tax setting committee in February 2023.

Climate change implications

38. There are no implications for climate change from the recommendations arising from this report.

Consultation

39. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2023-24. The budget is supported by the council's medium term resource strategy as agreed by cabinet.

Community, equalities (including socio-economic) and health impacts

40. This report contains technical calculations relating to the council's tax base for 2023-24.
41. There are no direct community, equalities (including socio-economic) and health impacts at this stage. The impact on the community of any potential change in service design, outcomes or access arising from recommendations relating to the 2023-24 revenue budget will need to be

addressed and identified as part of the final budget submission to council assembly in February 2023.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

42. The Director of Law and Governance 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.
43. 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.
44. Where a member has at least two months' arrears of council tax they 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.
45. When a matter as described in paragraph 44 is to be considered at a meeting the member affected must declare that section 106 of the Act applies. The member may remain in the meeting and may speak, but he or she may not vote on the matter.
46. 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.
47. 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.
48. 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

49. The council tax base calculation uses some information sourced from Northgate systems as at 30 November 2022. As in previous years these reports are only available after month end on 1 December 2022 and the figures require consideration, interpretation, analysis and evaluation before reporting to members.

Reason for urgency

50. Reason for urgency is that the council tax base calculation for 2023-24 must be made between 1 December 2022 and 31 January 2023. 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 2023-24	Southwark council 160 Tooley Street, London SE1 2QH	Finance and Governance Jade Cheung
Link: Issue details - Council tax base 2022-23 - Southwark Council The Council tax base for 2022-23		

APPENDICES

Appendix	Title
Appendix A (i)	Council tax base for 2023-24 for London Borough of Southwark (all wards)
Appendix A (ii)	Council tax base for 2023-24 for the parish of St Mary Newington
Appendix A (iii)	Council tax base for 2023-24 for the parish of St Saviour's
Appendix A (iv)	Council tax base for 2023-24 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, Accountant, Finance and Governance	
Version	Final	
Dated	2 December 2022	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	2 December 2022	