

<b>Item No.</b> 6.1	<b>Classification:</b> Open	<b>Date:</b> 23 January 2013	<b>Meeting Name:</b> Council Assembly
<b>Report title:</b>		Council Tax Base 2013/14	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Corporate Services	

## RECOMMENDATIONS

1. That council assembly note that in accordance with the decisions of council assembly about council tax on 28 November 2012:
  - the local discretionary discount for homes counted as long-term empty (over 2 years) will be set at 150%
  - the discount/exemption for empty property the discount for second homes be set at 0%
  - the discount to replace Class A exemptions will be set at 0%
  - the discount to replace Class C exemptions will be set at 100% for a maximum of two months only.
2. That the council tax base for 2013/14 be set at 81,421.05 band D equivalent dwellings, as shown in paragraph 37.
3. That the assumed council tax collection level remains at 96.25%, noting the risks outlined in paragraph 30.
4. That the council tax base for 2013/14 for St. Mary Newington be set at 12,487.57 band D equivalent dwellings.
5. That the council tax base for 2013/14 for St. Saviour's be set at 1,175.02 band D equivalent dwellings.
6. That the net rate yield for national non domestic rates be set at £190,585,401 as shown in paragraph 47
7. Approve the council tax reduction scheme (CTRS) written policy for both working and pensionable age claimants (see Appendix E – circulated separately to all councillors), and note the reduction in tax base of 21,215 band D equivalent properties as shown in paragraph 52.
8. That any minor and consequential amendments to the CTRS written policy are to be delegated to the strategic director of finance and corporate services, in consultation with the monitoring officer.

## BACKGROUND INFORMATION

9. Regulations require the council to inform its preceptors of the council tax base by 31 January 2013.

10. This report sets out the statutory information that members need in order to set the council's council tax base for 2013/14. A further report will be presented to council assembly in February 2013 setting out the level of council tax needed to meet the council's expenditure for the year 2013/14.
11. As part of the movement from formula grant to retained business rates, it is now a requirement that the net rate yield for national non domestic rates (NNDR) be agreed in the same way as the council tax base.

## KEY ISSUES FOR CONSIDERATION

### Council tax discounts

12. In November 2012 council assembly agreed a discount and exemption scheme to apply from 2013/14. This is in accordance with the statutory requirements or local discretion as granted under the Local Government Act 2003.
13. On discounts for single persons, the council is required under statute to offer a 25% discount.
14. On discounts for "all except one person in a household disregarded" is required under statute to offer a 25% discount.
15. Where properties are empty for over two years, the council already charges 100% council tax (that is no discount). Under the new scheme, property owners will be charged full council tax and an additional 50% making a total of 150%, allowing the council to levy more council tax.
16. The schedule of discounts is shown below:

Reason	Local / Statutory	2012/13 discount	2013/14 discount
Single Person	Statutory	25%	25%
All except one person in household disregarded	Statutory	25%	25%
All persons in household disregarded	Statutory	50%	50%
Second Home	Local Statutory Minimum 10% Statutory Maximum 50%	10%	0%
Discount to replace Class A exemptions		N/a	0%
Discount to replace Class C exemptions		N/a	100% for two months only
Empty (unoccupied) but furnished			0%
Empty for over 2 years	Local Statutory Minimum 0% Statutory Maximum 50%	0%	+50%

### Council tax base for 2013/14

17. 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"

18. 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 subsequent amendments. Regulation 8 of the 1992 regulations requires the calculation for 2013/14 to be made between 1 December 2012 and 31 January 2013.
19. 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
B	7
C	8
D	9
E	11
F	13
G	15
H	18

20. 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 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.

**Council tax collection rate performance**

21. Current in-year collection performance as at the end of December 2012/13 is 80.31%. The performance compared to the same time last year has seen a reduction in the percentage of council tax collected by 0.70%. However, there has been a significant increase in the amount billed during this year following discount and exemption reviews and collection of these amounts will take time to realise but has seen an increase in council tax receipts of £1.3m compared to 2011/12 as at the end of December 2012.
22. Arrears collection as at the end of December 2012/13 is £2.5m against the annual target of £3m.
23. During the first year of the service returning in-house, in year collection performance improved by 1.8% which was a significant achievement. However, Southwark continues to provide significant collection challenges and this has been reflected in the collection rate not only for collection in year but in total for the tax year over a 6 year period. The council tax collection and achieved and projected final collection is detailed in Appendix C.

24. During this year, the service has continued to focus on providing a customer focused service with prompt responses to customer enquiries and processing of changes to the council tax records.
25. Cleansing of aged debt and identifying accounts that should be written off continues to be part of business as usual activity alongside operational collection activity.
26. There has been a considerable amount of focus and activity this year on reviewing discounts to ensure that customers who had been allowed a reduction in their council tax were entitled to continue receiving it. Reviews were undertaken and completed for those in receipt of single person and student discounts.
27. The student review was undertaken with the National Fraud Authority and resulted in the removal of over 400 discounts generating potential income of £500,000.
28. There were 2 elements to the single person discount review with 3,500 cases reviewed as part of the National Fraud Initiative. In addition to this, a review of 14,000 discounts was undertaken by Capita Local Government Services resulting in over 4,000 discounts being removed generating additional income of £1.4m.
29. The strategic director of finance and corporate services recommends that, based on collection performance in previous years and to date in 2012/13 (see below), a 96.25% assumed collection rate would give the best estimate of the likely value to be obtained from the demands issued in April 2013.
30. A comparison of this rate to those currently levied and proposed for other inner London authorities is included as Appendix B. It can be clearly seen in the appendix that there is not a firm trend in projected collection rates within Inner London boroughs, the rate of 96.25% is consistent with the current Inner London average, and similar to near neighbours Lambeth and Lewisham. Some boroughs are recommending a lower collection rate for 2013/14 than for 2012/13 to recognise the additional initial burden on council tax support claimants.
31. Consideration has also been given to the age and status of debt when the service transferred in-house, the current economic climate and the high levels of transience and deprivation in Southwark which make collection increasingly challenging.
32. The collection rate of 96.25% for 2013/14 is considered achievable given that the service is now being delivered in-house and the work described in paragraphs 21 to 28 above. However, as there are considerable uncertainties arising from welfare reform, the localisation of council tax benefit, and the on-going economic climate, this figure is considered to be challenging.

### **Calculation of the council tax base**

33. From 2013/14 there will be 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 Southwark's localised council tax reduction

scheme (CTRS) claimants will receive a discount, the elderly will receive a 100% discount, working age claimants a 85% discount.

34. A calculation of the total number of dwellings net of discounts needs to be made for each of the bands A-H. This takes into account the number of dwellings on the official valuation list as at the 2013/14 CTB1 submission, 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 tabulates the above information for each of the bands. Line 5 of Appendix A (i) shows the total number of dwellings net of discounts for each band, which total 85,971.93
35. The line 5 total of 85,971.93 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 6 of appendix A, which totals 84,593.30.
36. 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 band D shown in Appendix A(i).

	<b>Number of band D equivalent properties</b>
For the parish of St. Mary Newington	12,974.10
For the parish of St. Saviour's	1,220.80
For the whole of the borough excluding the parishes of St. Mary Newington and St. Saviour's	70,398.40
<b>For the whole borough</b>	<b>84,593.30</b>

37. The resultant council tax base is calculated as follows:

**Total of the relevant amounts (Appendix A (i) line 6) 84,593.30**

**Estimated collection rate 96.25%**

**2012/13 council tax base 81,421.05**

38. 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. These are set out at Appendices A (ii & iii). 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.

39. A comparison of how the current tax base compares with the 2012/13 tax base is shown below. If the CTRS adjustments are excluded the council tax base has increased by 1.8%.

	Band D equivalent properties			
	2012/13	2013/14	Change	% Change
Number of chargeable dwellings	116,169	117,429	1,260	1.1%
Adjustments for discounts	-12,240	-11,670	570	-4.7%
Adjustments for premiums		50	50	
<b>Tax base excluding CTRS</b>	<b>103,929</b>	<b>105,808</b>	<b>1,880</b>	<b>1.8%</b>
CTRS adjustment – Working age		-13,367	-13,367	
CTRS adjustment – Non-working age		-7,848	-7,848	
<b>Total CTRS adjustment</b>		<b>-21,215</b>	<b>-21,215</b>	
<b>Total tax base before collection rate adjustment</b>	<b>103,929</b>	<b>84,593</b>	<b>-19,335</b>	<b>-18.6%</b>

### Collection fund monitor 2012/13

40. The estimated balance on the collection fund for council tax transactions to 31 March 2013 is a surplus of £1.2m, of which Southwark's element is £900,000.

	£m
Southwark Council	0.900
Greater London Authority	0.303
<b>Total surplus</b>	<b>1.203</b>

41. The surplus must be accounted for in the council tax calculations for 2013/14. The surplus is one-off and must be utilised to reduce the demand on council tax payers in 2013/14.

### National non domestic rates

42. It is now a statutory requirement that the NNDR1 is given formal approval as part of the tax base setting process before submission to the government. The guidance note accompanying the NNDR1 states that this approval should be given "through the authority's usual processes for the exercise of functions". There is no requirement for the form to have been considered and cleared at a meeting of the full council.
43. A provisional NNDR1 was sent to the government on 7 January 2013, this return is based on the current aggregate rateable value on the rating list on 30 September 2012.
44. A final return must be submitted to the government by 31 January 2013, this return allows local authorities to estimate increases in rateable value during 2013/14. The final return is attached as Appendix C.
45. It is not expected that the figures reported in the draft return will change significantly. Final figures will be confirmed as part of the Policy and Resources Strategy 2013/14 - 2015/16 - Revenue Budget report.

46. The net rate yield (NRY) submitted forms the basis for payments to the government and the GLA during 2013/14, and therefore carries risks. If the NRY is overestimated too much will be paid out during 2013/14. If the NRY is underestimated not enough will be shared with the government and the GLA in year and will have to be paid later. The amount of refund due or additional monies owed will not be known until the NNDR3 return for 2013/14 is submitted and audited in the summer of 2014.
47. The final NNDR1 return for 2013/14 shows a net rate yield of £190,585,401. This amount must be shared with the government (50%) and the GLA (20%), with the council retaining 30% as follows.

	£
Net rate yield	190,585,401
Less government share (50%)	95,292,701
Less GLA share (20%)	38,117,080
Retained element of business rates (30%)	57,175,620

48. The 30% being £57,175,620 is retained by Southwark forms part of the overall funding to the council for 2013/14.
49. A collection rate is not required for non-domestic rates as an estimate of non collection forms part of the overall net rate yield calculation.

#### **Revenue budget implications 2013/14**

50. Subject to council assembly approval, the tax bases recommended and the projected surplus on the collection fund as at 31 March 2013 will be used in the calculation of the level of council tax that will be recommended to council assembly on 27 February 2013.

#### **Council Tax Reduction Scheme (CTRS)**

51. On 28 November 2012 a report was presented to Assembly that set out the background and approach that had been adopted in relation to the CTRS scheme. Council assembly agreed to the adoption of a CTRS scheme that capped council tax support entitlement at 85% of current council tax benefit (CTB) entitlement levels and abolished Second Adult Rebate for non-pensioners in 2013/14.
52. The council tax reduction scheme replaces council tax benefit and will be passed on to claimants through a discount. Current estimates show that this will reduce the overall council tax base by 24,791 equivalent properties (21,215 band D equivalents) before adjustment for collection.
53. Council assembly were presented with a draft version of Southwark's CTRS policy and advised that the written content of the final policy would be informed by the publication of prescribed regulations from central government that were at that time still in draft form. Officers recommended that the final CTRS written policy should be returned to council assembly for approval in January 2013 once final prescribed regulations had been published. As a result, council assembly made the following decision:

- That following resolution 1, the council tax reduction scheme finalised policy be presented to council assembly in January 2013 for approval, following the publication of prescribed requirements regulations which are currently in draft form.

54. As anticipated, the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885) that delivered the statutory framework under which the policy was developed were published on 30 November 2012.
55. These prescribed regulations set out in full the policy in relation to pension-age claimants and how entitlement is to be assessed, over which the council has no discretion. The CTRS policy developed by officers therefore incorporates the appropriate prescribed provisions for pensionable-age claimants.
56. The prescribed regulations also set out basic elements and rules that must form part of the policy for working-age recipients, such as method of application, start date of claims and change of circumstances.
57. In accordance with the regulations, officers have developed a CTRS policy for working-age claimants and used as its base the existing CTB rules and regulations. This approach is considered to deliver the least amount of change for existing claimants, for staff administering the scheme and indeed those professional groups who are engaged in offering advice and support to claimants.
58. The full CTRS policy document is attached at Appendix E.
59. The content of the prescribed regulations means there are some differences between the draft policy presented to council assembly in November 2012 and the final policy attached with this report. There are also some changes from the existing council tax benefit rules and the significant changes are set out below:

<b>Policy area</b>	<b>Policy differences between the draft policy presented to Council in November 2012 and the final policy</b>
Applications	At present, 25% of all applications for CTB are received via the Department for Work and Pensions (DWP) who forward applications on to Local Authorities. Under CTRS the DWP will no longer be accepting claims on our behalf, which will result in duplication for claimants and operationally for Southwark. The DWP will however continue to share data with us to enable us to conduct a means test on claimants.
Backdating awards	In line with CTB, the CTRS policy retains a maximum 6 month backdating period for working age claimants where good cause has been demonstrated.
Change of circumstances	The Government prescribed regulations state that for pensioners, all change of circumstances must now be assessed from when they happen, regardless of whether they are beneficial to the claimant or not. Under CTB, beneficial changes were only handled in this way if a claimant informed the Authority of the change within one month of it taking place. The CTRS policy applies this new way of working to working-age claimants, so all change of circumstances will now be assessed



<b>Policy area</b>	<b>Policy differences between the draft policy presented to Council in November 2012 and the final policy</b>
	from the date the change happened, regardless of claimant age.
War Pensions income disregard	In line with CTB, the CTRS policy disregards income from War Pensions and War Widows Pensions as income in the means test.
Income from Universal Credit	The CTRS policy uses the income assessment method set out under the default scheme regulations provided by Government.
Overpayments	Overpayments of benefit under their current definition cease to exist under CTRS because it is administered as a council tax discount rather than a Social Security benefit. Rules around non-recoverability of overpayments as a result of official error are no longer relevant, so any dispute around recoverability would form part of a wider discussion as part of the standard council tax collection process.

60. The government have announced that they expect to release further regulations in February 2013 relating to the CTRS appeal process specifically. Accordingly officers are unable to complete detailed policy and procedures relating to this area until these regulations are published. These additional regulations will not impact upon the scheme as agreed by council assembly on 28 November 2012.
61. It is also widely considered by industry experts and revenues and benefits practitioners that as a consequence of the need for the DCLG to release complex regulations in challenging timescales, omissions, errors and anomalies exist within the regulations published on 30 November 2012. It is expected therefore that these will be corrected throughout 2013/14 with amendments to regulations published. The nature of these corrections will not affect the council scheme approved by council assembly on 28 November but will simply result in additions and minor changes to the wording of the policy document itself. Officers consider therefore that these changes, including those associated with the appeal provision, should not require council assembly approval and that the decision making on these future changes be delegated to the strategic director of finance and corporate services, in consultation with the monitoring officer.

### **Consultation**

62. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2013/14. The budget is underpinned by the council's medium term resource strategy as agreed by cabinet on 21 June 2011.

### **Community impact statement**

63. This report contains technical calculations relating to the council's tax base for 2013/14. Decisions on the level of exemptions and discounts were made at the council assembly meeting on 28 November 2012.
64. This report also contains technical calculations relating to the council's anticipated non-domestic rate retention for 2013/14, which forms part of the resource base for the council in 2013/14.
65. 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 2013/14 revenue budget will need to be

addressed and identified as part of the final budget submission to council assembly on 27 February 2013.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

66. The director of legal services advises that decisions relating to the budget and the setting of local taxation are reserved to council assembly under Part 3A of the council's constitution. Therefore council assembly is enabled to agree all of the recommendations in this report.
67. Members are reminded of the obligations pursuant to s106 Local Government Finance Act 1992.

### **Recommendations 1-6 – council tax base**

68. The legal basis for agreeing the recommendations relating to the setting of the council tax base is found under Section 31(B) Local Government Finance Act 1992 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) Regulations 1992 require a billing authority to use a given formula to calculate the council tax base.

### **Recommendation 7-8 – Council Tax Reduction Scheme (CTRS)**

69. Council assembly agreed in November 2012 to adopt a CTRS scheme and to receive the formal written policy for approval in January 2013 as a result of a delay in the publication of the regulatory requirements. The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 came into force on 27 November 2012.
70. Council assembly is advised to delegate to the strategic director of finance and corporate services, the responsibility for minor and consequential amendments following the approval of the CTRS policy. The delegation is subject to consultation with the monitoring officer. The policy is completed in so far as including the relevant requirements contained within regulations, however the Department of Communities and Local Government has indicated that further regulations will be published after 31 January 2013. Council assembly is aware that the risk of not agreeing the policy before this date would lead to the imposition of a default policy.
71. In respect of all recommendations, council assembly is reminded of the requirement to consider the public sector equality duty as set out in s.149 Equality Act 2010 before reaching a decision.

## **REASONS FOR URGENCY**

72. Local Government Finance Act 1992 imposes a duty on a billing authority to agree and publish its tax base no later than 31 January. There is no later opportunity to enable this duty to be met.

## REASONS FOR LATENESS

73. The scale of changes impacting on the council tax base since the 2012/13 report has required additional data to be provided and validated before the report could be finalised.
74. As this report was being finalised Sharon Taylor, leader of Stevenage Borough Council and chair of the LGA's finance panel, made a public statement that suggested that the government would be cutting council support grant by 8.5% in 2014/15. The need to investigate this in case it needed to be referenced in this report meant that the deadline for report submission could not be met. DCLG have since denied that there would be any decrease in funding in 2014/15. Implications of future cuts on local schemes are being reviewed by the LGA, London Councils and similar organisations.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CTB (1) Working Papers	Revenues and Benefits, 160 Tooley Street, London SE1 2QH	Dominic Cain, Revenues and Benefits: 020 7525 0636

## APPENDICES

Appendix	Title
Appendix A (i)	Council Tax Base for 2013/14 for the Whole Area
Appendix A (ii)	Council Tax Base for 2013/14 for the Parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2013/14 for the Parish of St Saviours
Appendix A (iv)	Council Tax Base for 2013/14 for the whole area excluding the parishes of St Mary Newington and St Saviours
Appendix B	Inner London – Council Tax Collection Rates Used for Tax Setting
Appendix C	2013/14 NNDR1 Return
Appendix D	Council Tax – Collection Achieved and Projected
Appendix E	Council Tax Reduction Scheme (CTRS) written policy (circulated separately to all councillors due to size)

**AUDIT TRAIL**

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<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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