

Item No. 7.1	Classification: Open	Date: 22 January 2014	Meeting Name: Council Assembly
Report title:		Council Tax Base and National Non Domestic Rate Base for 2014/15	
Ward(s) or groups affected:		All	
From:		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) shall remain unchanged and be set at 150%
 - the discount for second homes shall remain unchanged and be set at 0%
 - the discount to replace Class A exemptions shall remain unchanged and be set at 0%
 - the discount to replace Class C exemptions shall remain unchanged and be set at 100% for a maximum of two months only.
2. That the council tax base for 2014/15 be set at 84,337.83 band D equivalent dwellings, as shown in paragraph 35.
3. That the assumed council tax collection level should be increased to 96.50% noting the risks outlined in paragraph 27.
4. That the council tax base for 2014/15 for St. Mary Newington be set at 10,690.01 band D equivalent dwellings.
5. That the council tax base for 2014/15 for St. Saviour's be set at 1,075.43 band D equivalent dwellings.
6. That the council tax reduction scheme (CTRS) for both working and pensionable age claimants shall remain unchanged in 2014/15, and note the consequential reduction in tax base of 19,496 band D equivalent dwellings as shown in paragraph 49.
7. That any minor and consequential amendments to the CTRS written policy are to remain delegated to the Strategic Director of Finance and Corporate Services, in consultation with the Monitoring Officer.
8. That the net rate yield for national non domestic rates was not available when this report was finalised due to delays by the government in sending out guidance and submission document, and will be included as an addendum to this report.

BACKGROUND INFORMATION

9. Regulations require the council to inform its preceptors of the council tax base by 31 January 2014.
10. This report sets out the statutory information that members need in order to set the council's council tax base for 2014/15. A further report will be presented to council assembly in February 2014 setting out the level of council tax needed to meet the council's expenditure for the year 2014/15.
11. As part of the movement from formula grant to retained business rates, it is a requirement that the net rate yield for national non domestic rates (NNDR) be agreed in the same way as the council tax base. An addendum report will be circulated separately.

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. No changes are proposed to the scheme for 2014/15.
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, 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. Therefore there are no proposed changes to council tax discounts for 2014/15 and will remain as follows:

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

Council tax base for 2014/15

17. 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”

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) (England) Regulations 2012, made under section 33 of the Act and subsequent amendments. Regulation 8 of the 2012 Regulations requires the calculation for 2014/15 to be made between 1 December 2013 and 31 January 2014.
19. 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

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 2013 is 80.90%. The performance compared to the same time last year has seen a reduction in the percentage of council tax collected by 0.60%. However, there has been a significant increase in the amount billed during this year following the introduction of CTRS, removal of discounts from last year’s review and the technical changes to reduce discounts which came into effect on 1 April 2013.
22. Arrears collection as at the end of December 2013 is £3.2 million against the annual target of £3.2 million.
23. Southwark continues to provide significant collection challenges with high levels of movement in the borough and as a result of the introduction of the CTRS. 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 providing a high level of customer service with prompt responses to customer enquiries and processing of changes to the council tax records.
25. Identifying accounts that should be written off continues to be part of business as usual activity alongside operational collection activity.
26. There has been further review of single person discounts undertaken during 2013/14 to ensure that customers who had been allowed a reduction in their council tax were entitled to continue receiving it. Approximately 3,000 single person discounts have been removed as part of the review process.
27. The strategic director of finance and corporate services recommends that, based on collection performance in previous years and to date in 2013/14 (see below), a 96.50% assumed collection rate would give the best estimate of the likely value to be obtained from the demands issued in April 2014.
28. A comparison of this rate to those currently levied and proposed for other inner London authorities is usually included as an appendix to this report. Owing to the early deadlines for completion of this report, this information was not available at the time of completion. If available, this appendix will be included in the addendum report referred to in paragraph 41.
29. 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.
30. The collection rate of 96.50% for 2014/15 is considered achievable given that the service is now being delivered in-house and the work described in paragraphs 21 to 27 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

31. From 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 Southwark's localised CTRS claimants receive a discount, from 100% discount for elderly people to 85% discount for working age claimants.
32. 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 2014/15 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 88,830.11

33. The line 5 total of 88,830.11 described above must be converted into the number of band D equivalents by applying the proportions shown in paragraph 19 above. The result for each of the bands is shown on line 6 of appendix A, which totals 87,396.72.
34. 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).

	Number of band D equivalent properties
For the parish of St. Mary Newington	11,077.73
For the parish of St. Saviour's	1,114.44
For the whole of the borough excluding the parishes of St. Mary Newington and St. Saviour's	75,204.55
For the whole borough	87,396.72

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

Total of the relevant amounts (appendix A (i) line 6) **87,396.72**
Estimated collection rate **96.50%**
2014/15 council tax base **84,377.83**

36. 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.
37. A comparison of how the current tax base compares with the 2013/14 tax base is shown below. If the CTRS adjustments are excluded the council tax base has increased by 1.0%.

	Band D equivalent properties			
	2013/14	2014/15	Change	% Change
Number of Chargeable dwellings	117,429	118,708	1,279	1.1%
Adjustments for discounts	-11,670	-12,023	-353	-3.0%
Adjustments for premiums	50	208	158	316.0%
Tax base excluding CTRS	105,809	106,893	1,084	1.0%
CTRS adjustment	-21,215	-19,496	1,719	8.1%
Total tax base before collection rate adjustment	84,594	87,397	2,803	3.3%

38. The CTRS caseload has reduced gradually during 2013/14, leading to an increase in the tax base. Analysis shows that the greatest reduction has been in the "working age other" element of the scheme representing greater than 50% of the entire reduction. This group are in receipt of passported benefits, job seekers allowance and income support. Typically this is indicative of claimants moving into work and therefore off benefits and eligibility for CTRS. Other movements can be attributed to a combination of movement in and out of the borough, individuals no longer qualifying for CTRS, changes in circumstances, and moving into work.

National non domestic rates

39. From 2013/14 it is a statutory requirement that the NNDR1 is given formal approval as part of the tax base setting process before submission to the government, and for 2013/14 was agreed by council assembly on 23 January 2013.
40. For 2014/15, due to delays by the government in sending out guidance and submission document, it has not been possible to include the NNDR1 figures in this report.
41. The guidance and documentation is expected to be received by 15 January 2014. To avoid any delays in despatching this report to members, the net rate yield will be included in an addendum to this report for consideration by council assembly on 22 January 2014.

Collection fund monitor 2013/14

Council tax

42. The estimated balance on the collection fund for council tax transactions to 31 March 2014 is a surplus of £1.753 million, of which Southwark's element is £1.316 million.

	£m
Southwark Council	1.316
Greater London Authority	<u>0.437</u>
Total surplus	<u>1.753</u>

43. The surplus must be accounted for in the council tax calculations for 2014/15. The surplus is one-off and must be utilised to reduce the demand on council tax payers in 2014/15.

Business rates

44. The estimated balance on the collection fund for business rates transactions to 31 March 2014 is a surplus of £36,000, of which Southwark's element is £11,000.

	£'000
Southwark Council (30%)	11
Government (50%)	7
Greater London Authority (20%)	<u>18</u>
Total surplus / (deficit)	<u>36</u>

45. The surplus must be accounted for as part of the resource calculations for 2014/15. The surplus is one-off and must be utilised to reduce the demand on council tax payers in 2014/15.
46. A total of £1.327 million will be utilised in 2014/15.

Revenue budget implications 2014/15

47. Subject to council assembly approval, the tax bases recommended and the projected surplus / deficit on the collection fund as at 31 March 2014 will be used in the calculation of the level of council tax that will be recommended to council assembly on 26 February 2014.

Council tax reduction scheme (CTRS)

48. 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.
49. The council tax reduction scheme replaced council tax benefit and is passed on to claimants through a discount. Current estimates show that for 2014/15 this will reduce the overall council tax base by 22,739 equivalent properties (19,496 band D equivalents) before adjustment for collection.
50. 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.
51. 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.
52. In accordance with the regulations, officers developed a CTRS policy for both pension age and working-age claimants and used as its base the previous CTB rules and regulations. This approach was considered to deliver the least amount of change for existing claimants, for staff administering the scheme and indeed those professional groups who were and are engaged in offering advice and support to claimants.
53. On 23 January 2013 council assembly were presented with the council tax base report within which the full CTRS policy document was referenced and attached. The decision of council assembly confirmed the adoption of this policy. Members are referred to that report for the detail of the written policy.
54. On 23 January 2013 council assembly 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, in

consultation with the monitoring officer. It is expected that the DCLG will continue to release throughout 2014/15 further guidance, amendments and or corrections to the previously published complex regulations and which will result in additions and minor changes to the wording of the policy document itself. Officers consider therefore that these changes should not require council assembly approval and that the decision making on these future changes should remain delegated to the strategic director of finance and corporate services, in consultation with the monitoring officer

Consultation

55. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2014/15. The budget is underpinned by the council's medium term resource strategy as agreed by cabinet on 21 June 2011.

Community impact statement

56. This report contains technical calculations relating to the council's tax base for 2014/15.
57. This report also contains technical calculations relating to the council's anticipated non-domestic rate retention for 2014/15, which forms part of the resource base for the council in 2014/15.
58. 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 2014/15 revenue budget will need to be addressed and identified as part of the final budget submission to council assembly on 26 February 2014.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

59. 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.
60. Members are reminded of the obligations pursuant to section 106 of the Local Government Finance Act 1992 and the restrictions on voting therein. Section 106 of the Local Government Finance Act 1992 applies to members in arrears of council tax in respect of their capacity to vote in meetings on certain financial matters.
61. Where a member has at least two months' arrears of council tax he or she must not vote on any matter which:
 - (i) relates directly to the setting of the next year's council tax; or
 - (ii) recommends income or expenditure forming part of the next year's levy; or
 - (iii) relates to income or expenditure in the current year which is in excess of the current budget.
62. When a matter as described in paragraph 61 is to be considered at a meeting the member affected must declare that section 106 of the Local Government Act

1992 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.

Recommendations 1 to 5 – council tax base

63. The legal basis for agreeing the recommendations relating to the setting of the Council tax base is found under Section 31B 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) (England) Regulations 2012 require a billing authority to use a given formula to calculate the council tax base.

Recommendation 6 and 7 – council tax reduction scheme

64. On 23 January 2013 council assembly adopted the CTRS written policy which had been developed by officers. This was in accordance with the decision making powers reserved to council assembly under Part 3A of the constitution.
65. On 23 January 2013 council assembly 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, in consultation with the monitoring officer. The report author has outlined at paragraph 54 of the report the reasoning why officers consider any future minor and consequential changes should remain delegated to the strategic director of finance and corporate services in consultation with the monitoring officer. It is confirmed that council assembly has the power to delegate any of its decision making functions to an officer pursuant to section 101(1) of the Local Government Act 1972.
66. 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.

BACKGROUND DOCUMENTS

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

APPENDICES

Appendix	Title
Appendix A (i)	Council Tax Base for 2014/15 for the Whole Area
Appendix A (ii)	Council Tax Base for 2014/15 for the Parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2014/15 for the Parish of St Saviours
Appendix A (iv)	Council Tax Base for 2014/15 for the whole area excluding the parishes of St Mary Newington and St Saviours
Appendix B	Council Tax – Collection Achieved and Projected

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
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