

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 17 December 2019	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Council Tax Base for 2020-21	
<b>Ward(s) or groups affected:</b>		All wards	
<b>From:</b>		Councillor Victoria Mills, Finance, Performance and Brexit	

## **FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT**

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. I am delighted to say that thanks to the hard work of the council the number of homes has yet again increased considerably and that we are recommending an increase of 2.5% in the band D equivalent dwellings to use as the base. Whilst collection remains strong, the introduction of Universal Credit (UC) presents a risk to council tax collection and so 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 2020. The premium remains at the maximum permitted -100% for those dwellings empty for 2 years and less than 5 years and at 200% for dwellings empty for at least 5 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 2020-21 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 highlighted elsewhere in this report.

There is emerging evidence that the introduction of UC is reducing take up of the council tax reduction scheme (CTRS) because unlike previous benefits a separate application for CTRS needs to be made. In order to address this issue a minor change to the application process for CTRS is being introduced. This removes the need for new UC claimants to make a separate application for CTR and will support low income residents who may otherwise fail to seek support. This proposed change does not affect those residents of pensionable age whose CTR awards are subject to separate Government prescribed legislation.

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 approve the schedule of discounts and exemptions in paragraph 12, which remains unchanged, with an exception for long-term empty dwellings effective from 1 April 2020 onwards.
2. Cabinet agree the council tax base for 2020-21 is set at 106,284 (103,662 in 2019-20) band D equivalent dwellings.
3. Cabinet agree the assumed council tax collection level should remain at 97.20% for 2020-21 (97.20% in 2019-20), noting the risks outlined in paragraphs 23, 24 and 25.
4. Cabinet note the council tax base for 2020-21 for St. Mary Newington parish is set at 11,994 (12,129 in 2019-20) band D equivalent dwellings.
5. Cabinet note the council tax base for 2020-21 for St. Saviour's parish is set at 1,346 (1,259 in 2019-20) band D equivalent dwellings.
6. Cabinet note that:
  - a minor change be made to the council tax reduction scheme for 2020-21, 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 note, the NNDR1 return for 2020-21 showing the national non-domestic rates base will be approved by the Strategic Director of Finance and Governance in January 2020.
8. Cabinet to note the proposed extension of the current council tax section 13a policy<sup>1</sup> covering discretionary relief (refer to paragraph 17):
  - to continue the 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 2020 to 31 March 2021 (a third year for this scheme).
  - to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2020 to 31 March 2021.

## BACKGROUND INFORMATION

9. Regulations require the council to inform its preceptors of the council tax base by 31 January 2020.
10. This report sets out the statutory information that is needed in order to set the council's council tax base for 2020-21. A further report will be presented to council assembly in February 2020 setting out the level of council tax needed to meet the council's net expenditure for the year 2020-21.

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

## 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 2020-21

### Council tax discounts, exemptions and premiums

12. All council tax discounts, exemptions and premiums from 2019-20 remain unchanged for 2020-21, with an exception for long-term empty dwellings, which have been empty for at least 5 years. The overall position effective from 1 April 2020<sup>2</sup> is as follows:

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>3</sup> and less than 5 years – continuing premium	15	Local	+100%
Dwellings empty for at least 5 years – new premium	15	Statutory	+200%

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>4</sup> in 2018. From 1 April 2020, the maximum percentage increase for long-term empty properties is 100% for empty dwellings greater than 2 years and less than 5 years; for dwellings empty for at least 5 years, the premium is 200%.

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<sup>2</sup> Future years' changes are summarised in the foreword

<sup>3</sup> Local Government Finance Act 2012, section 11B

<sup>4</sup> Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

16. The change stated in paragraph 15 has effect for financial years beginning on or after 1 April 2020, 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 2020-21 section 13a policy allows for local council tax discretionary relief to be awarded to council tax payers falling into prescribed categories.

There is no change in 2020-21 for 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.

Currently, foster carers are able to claim discretionary relief in 2019-20. 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 2020 to 31 March 2021.
- to continue foster carers discretionary relief (0% to 100%), for the period 1 April 2020 to 31 March 2021.

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

### **Council tax reduction scheme**

18. 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.
19. 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 2020-21. The CTRS caseload has continued to reduce gradually during 2019-20, leading to an increase in the tax base. Analysis shows that the greatest reduction has been amongst those claimants in receipt of passported benefits and, increasingly Universal Credit (UC). There is emerging evidence that the introduction of UC is reducing take up of the council's local CTRS because unlike previous benefits a separate application for CTRS needs to be made. This is in spite of efforts to encourage those claiming UC who may need help to apply.
20. In order to address this issue a minor change to the application process for CTRS to accept notifications of new UC awards from the Department for Work and Pensions (DWP) is being introduced. This removes the need for new UC claimants to UC to make a separate application for CTR and will support low income residents who may otherwise fail to seek support. This proposed change

does not affect those residents of pensionable age whose CTR awards are subject to separate Government prescribed legislation.

21. A 12 week public consultation was carried out from the 19 August 2019 to 11 November 2019 via the Council's online Consultation Hub, with 92% agreeing with the proposal to accept DWP notifications as an application for CTR.
22. The CTRS replaced statutory council tax benefit and is passed on to claimants through a discount, after a means test has been carried out. Current estimates show that for 2020-21 this will reduce the overall council tax base by 16,066 properties before adjustment for collection rate.

### **Council tax collection rate**

23. The collection performance as at 30 November 2019 was 72.8% (30 November 2018 was 73.8%).
24. Arrears collection as at 30 November 2019 was £2.3m compared with the annual target of £3.6m, (on 30 November 2018 this was £2.8m against an annual target of £3.6m).
25. The Strategic Director of Finance and Governance recommends that, based on collection performance in previous years and to date in 2019-20, a 97.2% assumed collection rate in 2020-21 would give the best estimate of the likely value to be obtained from the demands issued in April 2020 (appendix B). However, there are still considerable uncertainties arising from the accumulated effects of welfare reform.
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. According to Government's own figures, many UC claimants experience significant delays in receiving first payments and face uncertainty as to the level of their first or subsequent payments. These factors appear to be implicated in rising level of non-payment of both rent and council tax among those claiming UC. Some are finding it increasingly difficult to clear their arrears in-year and are falling into a cycle of debt which may take several years to clear. We continue to monitor and analyse these trends closely.
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 2019-20 collection fund forecast surplus or deficit will be reported in the Policy and Resources Strategy 2020-21 balanced revenue budget report to cabinet in January 2020. Any collection fund estimated surplus or deficit must be accounted for in the council tax calculations for 2020-21.

### **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 2020-21 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 2020-21 to be made between 1 December 2019 and 31 January 2020.
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>109,346</b>
Estimated collection rate	<b>97.20%</b>
2020-21 council tax base	<b>106,284</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>5</sup> government statistical return will be authorised by the council's Strategic Director of Finance and Governance.

### **Revenue budget implications 2020-21**

37. Subject to cabinet approval, the tax bases recommended in this report and the projected surplus / deficit on the collection fund as at 31 March 2020 will be used

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<sup>5</sup> National Non-Domestic Rates

in the calculation of the level of council tax that will be recommended to council assembly in February 2020.

### **Consultation**

38. Calculation of the council tax base forms an integral part of the revenue budget setting process for 2020-21. 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 2020-21.
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 2020-21 revenue budget will need to be addressed and identified as part of the final budget submission to council assembly in February 2020.
41. A separate equality analysis was carried out on the change to the CTR policy. Of particular issue is age and barriers to accessing technology. The change to the CTR policy introduces a new application route that doesn't require a new UC claimant to fill out an eform, and therefore they do not have to access the internet to now get CTR. The change is also only applicable to those who are working age and claim UC, and therefore older persons of pensionable age are not affected. The net impact of the policy change is to widen access to CTR.
42. Southwark's Digital Strategy (cabinet report dated February 2016). "For all major existing and future digital projects, service areas will be required to carry out an impact assessment to fully understand how various part of our communities will be affected by the introduction of a digital service. Greater emphasis will be placed on those projects looking to phase out and close traditional engagement methods, the implications of such changes and the measures to be put in place to support the vulnerable in our communities to continue to access services."

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Director of Law and Democracy**

43. 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 council's constitution. Therefore the cabinet is enabled to agree all of the recommendations in this report.
44. 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.
45. 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.
46. When a matter as described in paragraph 45 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.
47. 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.
48. 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.
49. 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.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council tax base 2020-21 working papers	Southwark Council 160 Tooley Street, London SE1 2QH	Revenues and Benefits Team Norman Lockie  Finance and Governance Jade Cheung
Link: <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CIId=302&amp;MIId=6086">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CIId=302&amp;MIId=6086</a> (item 9 The Council Tax Base for 2019-20)		



## APPENDICES

Appendix	Title
Appendix A (i)	Council Tax Base for 2020-21 for London Borough of Southwark (All Wards)
Appendix A (ii)	Council Tax Base for 2020-21 for the parish of St Mary Newington
Appendix A (iii)	Council Tax Base for 2020-21 for the parish of St Saviour's
Appendix A (iv)	Council Tax Base for 2020-21 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>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Authors</b>	Norman Lockie, Finance and Governance Jade Cheung, Finance and Governance	
<b>Version</b>	Final	
<b>Dated</b>	6 December 2019	
<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
<b>Date final report sent to Constitutional Team</b>	6 December 2019	