

COUNCIL			
REPORT TITLE	Setting the Council Tax Base, the NNDR Base & Discounts for Second Homes and Empty Homes		
KEY DECISION	Yes	ITEM No.	7
WARD	All		
CONTRIBUTORS	Executive Director for Resources & Regeneration and Executive Director for Customer Services		
CLASS	Part 1	Date	22 January 2014

1 EXECUTIVE SUMMARY

- 1.1. This report sets out the statutory calculations required in order to set the Council Tax Base and the National Non-Domestic Rates (NNDR) base for 2014/15. The Council Tax Base and NNDR Base are statutory obligations and are key elements in setting the General Fund revenue budget.
- 1.2. The report provides information on the Council Tax Base. There are also a series of discretionary powers which allows the Council to grant and vary discounts for various types of properties. These are set out in section six of this report.
- 1.3. The report recommends that the Council Tax Base for 2014/15 be agreed at 73,941.2 Band D equivalent properties, based on an assumed collection rate of 95.5%. Details of the Council Tax Base, its calculation and the estimated collection rate are set out in sections seven, eight and nine of this report.
- 1.4. The NNDR1 form has not yet been received from the Department of Communities & Local Government (DCLG). Therefore, the 2013/14 mid-year forecast, which was submitted to government in November 2013 has been attached at Appendix B. It is on this basis that the provisional NNDR Net Yield figure of £45.964m is provided.
- 1.5. The requirements pertaining to the NNDR Base for 2014/15 are set out in section ten of this report.

2 PURPOSE OF THE REPORT

- 2.1 The purpose of this report is to set the Council Tax Base, the NNDR base and the policy relating to discounts for second homes and empty homes in the Borough for 2014/15.

3 RECOMMENDATIONS

That Council agrees the following:

- 3.1 A Council Tax Base of 73,941.2 Band D equivalent properties for 2014/15;
- 3.2 To note the Council Tax Base calculation for 2014/15, as set out in the annual Council Tax Base government return, attached at Appendix A;
- 3.3 The budgeted Council Tax collection rate of 95.5%;
- 3.4 A 0% discount for second homes for 2014/15 be continued, as set out in section six of this report;
- 3.5 A 0% discount for empty homes – Class A (an empty property undergoing structural alteration or major repair to make it habitable) be continued, as set out in section six of this report;
- 3.6 A 100% discount awarded for a period of four weeks and then a 0% discount thereafter, for empty homes – Class C (a substantially empty and unfurnished property) be continued, as set out in section six of this report;
- 3.7 To apply an empty homes premium of 50% in respect of long term empty properties be continued, as set out in section six of this report; and
- 3.8 To note the proposed National Non Domestic Rate (NNDR) estimated net yield of £45.964m, based on the NNDR mid-year forecast for 2013/14, attached at Appendix B.

4 POLICY CONTEXT

- 4.1 The overarching policy and decision making framework for the discharge of the Council's many functions and duties is contained in Lewisham's Sustainable Community Strategy (SCS). The Strategy contains two overarching principles which are:
 - Reducing inequality – narrowing the gap in outcomes.
 - Delivering together efficiently, effectively and equitably – ensuring that all citizens have appropriate access to and choice of high quality services.
- 4.2 Also contained within the overarching policy framework are the Council's ten corporate priorities. These priorities describe the specific contribution that the Local Authority will make to the delivery of the SCS. The Council's priorities are as follows:
 - Community Leadership and Empowerment.
 - Young people achievement and involvement.
 - Clean, green and liveable.
 - Safety, security and visible presence.

- Strengthening the local economy.
- Decent Homes for all.
- Protection of children.
- Caring for adults and older people.
- Active healthy citizens.
- Inspiring efficiency, effectiveness and equity.

5 INTRODUCTION

- 5.1 The calculation of the Council Tax Base has been prepared in accordance with the Regulations 'Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI: 2012: 2914)' which came into force on 30 November 2012, to ensure the calculation of the Council Tax Base takes account of local council tax reduction schemes. These regulations specify the formulae for calculating the tax base, which is detailed in sections seven and eight of this report.
- 5.2 The purpose of this calculation is to set the Council's Tax Base and not the Council Tax itself. The Council Tax will be set at the meeting of full Council on 26 February 2014.
- 5.3 The Council Tax Base is defined as the number of Band D equivalent properties in a local authority's area. An Authority's Tax Base is taken into account when it calculates its Council Tax. It is calculated by adding together the 'relevant amounts' (the number of dwellings) for each valuation band, then multiplying the result by the Council's estimate of its collection rate for the year. This calculation is set out in section eight of this report.
- 5.4 Members should note that the Welfare Reform Act 2012 abolished Council Tax Benefit in March 2013 and replaced it with the Council Tax Reduction Scheme (CTRS). A report setting out the CTRS for 2014/15 was presented to Mayor & Cabinet on 4 December 2013.

6 LOCAL DISCRETION

- 6.1 The Council has the power and local discretion to grant and vary discounts for different types of properties under Section 11a of the Local Government Finance Act 1992, as amended by the Local Government Finance Act 2003 and the Local Government Finance Act 2012. These discounts and exemptions form part of the Council Tax Base calculation and therefore need to be agreed at this time.
- 6.2 The local discretion to grant and vary discounts enables local authorities to create greater financial incentives for owners of empty properties to bring them back into use, either for owner occupation or letting.

- 6.3 Second Homes – Currently, local authorities have discretion to offer a discount of between 0% and 50% to owners of second homes. The Council currently offers a 0% discount. It is proposed to retain the 0% discount for 2014/15.
- 6.4 Empty Property Class A exemptions – Currently, a discount can be awarded between 0% to 100% at the Council’s discretion where the property is undergoing structural alteration or major repairs. The Council is being recommended to retain the 0% discount on these properties.
- 6.5 Empty Properties Class C exemptions – Currently, 100% discount is awarded for four weeks to substantially empty and unfurnished properties. After four weeks, the discount ceases and the full charge is applicable. The Council wants to encourage properties to be occupied as soon as possible. However, in many cases properties can be empty for a short period during a change over, especially where the property is let. Amounts due for these short periods would be more difficult to collect. For these reasons, it is recommended that the Council continues to offer a 100% discount for four weeks followed by a 0% discount.
- 6.6 Long Term Empty Properties – Empty homes premium
Section 11 of the Local Government Finance Act 2012 removed the discount for long term empty properties and introduced discretion to charge up to 50% premium on this category of properties, to encourage the owners of empty properties to bring them back into use. Currently, the Council charges an ‘empty homes premium’ of 50% where a property has been empty for two years or more. Therefore, the council tax bills are 50% more than where the property is occupied and no single person discount is applicable.
- 6.7 It should be noted that approximately 23% of any additional Council Tax income generated as a result of the variation in discounts would be attributable to the Greater London Authority.

7 COUNCIL TAX BASE

- 7.1 The calculation of the Council Tax Base has been prepared in accordance with the Regulations 'Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI: 2012: 2914)'.
7.2 The regulations specify a formula for this calculation, which for 2014/15 is:

$$((H - Q + E + J) - Z) \times (F / G)$$

Where:

H is the number of chargeable dwellings in that band, calculated in accordance with the regulations.

Q is a factor to take account of the discounts to which the amount of Council Tax payable was subject in that band, estimated in accordance with the regulations.

E is a factor to take account of the premiums, if any, to which the amount of Council Tax payable was subject in that band, estimated in accordance with the regulations.

J is the estimated variations in the Tax Base from changes after 30 November 2012 from factors such as:

- a) New properties and properties being banded.
- b) Variations in numbers of exempt properties.
- c) Successful Appeals against bandings.
- d) Variations in the number of discounts.

Z is the total amount that the authority estimates will be applied in relation to the authority's council tax reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in that band.

F is the proportion of Council Tax to be paid for dwellings in that band.

G As compared with a Band D property, using the proportions in the 1992 Act.

7.3 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

7.4 The Council's basic tax is calculated in respect of Band D. Therefore, Band A properties pay 6/9 of the basic tax, Band B properties 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.

Band	Relevant Amount (i.e. number of dwellings)
A	2,420.9
B	15,481.6
C	26,225.8
D	20,058.5
E	7,354.0
F	3,581.0
G	1,993.5
H	310.0
Aggregate of Relevant Amounts	77,425.3

8 CALCULATION OF THE COUNCIL TAX BASE

- 8.1 Regulation 3 of the 'Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI: 2012: 2914), requires that the Council's Tax Base for a financial year shall be calculated by applying the formula:

$$A \times B = T$$

Where:

A is the total of the relevant amounts for that year for each of the valuation bands, which is shown or is likely to be shown for any day in that year in the authority's valuation list as applicable to one or more dwellings situated in its area.

B is the Authority's estimate of its collection rate for that year.

T is the calculated Council Tax Base for that year.

- 8.2 In accordance with the requirements of the regulations and following from the calculations in this report, the calculation of the Council Tax Base for the London Borough of Lewisham in 2014/15 is as follows:

	2013/14	2014/15
Total of relevant amounts = A =	75,998.4	77,425.3
X		
Collection rate = B =	95.0%	95.5%
Council Tax Base	72,198.5	73,941.2

- 8.3 The detailed calculations proposed for the London Borough of Lewisham for 2014/15 are set in the annual Council Tax Base return to government has been attached at Appendix A. The reason for increasing the collection rate to 95.5% is set out in section nine below.

9 ESTIMATE OF THE COLLECTION RATE

- 9.1 The Regulations require that the Council estimates its collection rate for the financial year. This is the Council's estimate of the total amount in respect of its Council Tax for the year payable into its Collection Fund and transferable between its General Fund and Collection Fund, and which it estimates will ultimately be transferred.
- 9.2 Council Tax collection in Lewisham has been increasing steadily over recent years, reflecting an efficient service able to enforce debts effectively against those able to pay and to make reasonable arrangements for debtors in genuine financial hardship. The baseline was moved down in 2013/14 to 95% from 96.25% to allow for the impact of the introduction of the Council Tax Reduction Scheme (CTRS). However, the underlying direction of travel for the collection of Council Tax has not changed as the

Council continues to rigorously, but sensitively collect monies it is owed. It is therefore proposed to marginally increase the estimated collection rate to 95.5% for 2014/15.

- 9.3 The Council's CTRS was introduced from 1 April 2013, where approximately 20,000 residents started paying some Council Tax directly, as a result of the abolition of Council Tax Benefit. On 4 December 2013, Mayor & Cabinet received a report on the Council's CTRS scheme and it was agreed to recommend to Council that the current scheme would remain the same for 2014/15. An update on the collection performance for 2013/14 has been attached at Appendix C.
- 9.4 There is a separate report on the CTRS at Council on 22 January 2014. Officers felt that since its introduction on 1 April 2013, it was too early to determine how the current scheme is working and any changes to the scheme would be premature, and may help certain groups, but at a cost to others. It is worth noting that collection rates during the year have been slightly better than expected, particularly from the groups who are new to paying Council Tax under the CTRS. There will be a comprehensive review of the CTRS in 2014, once the scheme has been in operation for a full year.
- 9.5 For the reasons set out above, it is proposed to marginally increase the anticipated lifetime collection rate to 95.5% for 2014/15, which given past performance is seen as being both prudent and realistic.

10 NNDR TAX BASE

- 10.1 Under the Local Government Finance Act 2012, the system of national pooling of business rates was repealed and replaced with the Business Rates Retention scheme. The new scheme commenced on 1 April 2013 and requires the meeting of full Council to formally approve the NNDR1 return to government by 31 January, immediately preceding the financial year to which it relates. The NNDR1 contains details of the rateable values shown for the Authority's local rating list as at 30 September. It enables the Council to calculate the expected income in respect of business rates for the year, a proportion of which the Council retains.
- 10.2 The London Borough of Lewisham retains 30% of all business rates collected within the borough, 20% is attributed to the Greater London Authority and the remaining 50%, known as the Central Share, is passed to the Government.
- 10.3 In summary, after reliefs, adjustments and cost of collection, the Council anticipates the estimated net yield to be £45,964,000, before transition costs. This assumes a collection rate which is in line with the performance from previous years.
- 10.4 The summary below shows the respective shares of the £45,964,000

	% Share	£
Central Share	50	22,982,000
Lewisham	30	13,789,200
GLA	20	9,192,800
Total	100	45,964,000

- 10.5 The Council will keep its entire share, but will also be in receipt of a top-up, the calculation of which is based on the Business Rates Baseline, plus DCLG calculation of the Council's baseline funding level. This funding level was confirmed in the Local Government Finance Settlement announcement on 18 December 2013.
- 10.6 The Council is still awaiting that NNDR1 form, therefore the detailed information used to calculate the estimated net yield above is taken from the mid-year return set out in Appendix B to this report. The Mayor is being asked to recommend Council to endorse this.

11 FINANCIAL IMPLICATIONS

- 11.1 This report proposes that a Council Tax Base of 73,941.2 be set for 2014/15. This represents an increase of just over 1,700 in the number of chargeable dwellings from the Council Tax Base of 2013/14.
- 11.2 Officers believe that increasing the collection rate level to 95.5% for 2014/15 is both prudent and realistic, based on the actual debt that has been collected during the course of the current financial year. In line with current policy, the collection rate target is subject to review annually.
- 11.3 Consideration has also been given to the current economic climate. Whilst it is difficult to predict the scale of the ongoing impact, it is inevitable that Councils and residents across the country will continue to be affected in some way by the current economic position. People will continue to be concerned about their household finances and many people will still be experiencing financial difficulties. The Council Tax section will continue to apply a firm but fair approach when dealing with customers in arrears.

12 LEGAL IMPLICATIONS

- 12.1 Members are referred to the legal requirements set out in the body of the report and particularly the changes brought in by the Local Authorities (Calculation of Council Tax Base) Regulations 2012 (section five) and the changes introduced by the Local Government Finance Act 2012, which set out a number of changes for Council tax payers discounts and removal of some the exemptions relating to empty homes (section six) and the current NNDR system (section ten).
- 12.2 In accordance with the Local Government Finance Act 1992 and related Statutory Instruments, the Authority is required to decide its Council Tax Base for 2014/15 by no later than 31 January 2014.

13 CRIME AND DISORDER IMPLICATIONS

- 13.1 There are no specific crime and disorder implications directly arising from this report.

14 EQUALITIES IMPLICATIONS

- 14.1 Every effort will be made to ensure that Council tax payers, particularly those who are from disadvantaged groups, receive prompt and accurate Council Tax bills, and that those who are eligible for exemptions and discounts - such as the disabled people, single people and those on low incomes, are encouraged to claim them.

15 ENVIRONMENTAL IMPLICATIONS

- 15.1 There are no specific environmental implications directly arising from this report.

16 CONCLUSION

- 16.1 The recommended Council Tax Base takes account of the 'relevant amounts' for each Council Tax band and a considered view of the likely collection rate.

For further information on this report, please contact:

Selwyn Thompson, Group Finance Manager, Budget Strategy on 0208 314 6932 or;
Lorraine Richards, Revenues Manager on 0208 314 6047

Appendix A: Council Tax Base (CTB) Return for 2014/15

CTB(October 2013)

Calculation of Council Tax Base for Revenue Support Grant Purposes

Please e-mail to : ctb.statistics@communities.gsi.gov.uk

Please enter your details after checking that you have selected the correct local authority name

Ver 1.04

CTB(October 2013) form for : **Lewisham**

Completed forms should be received by DCLG by Friday 18 October 2013

Dwellings shown on the Valuation List for the authority on Monday 9 September 2013	Band A entitled to disabled relief reduction COLUMN 1	Band A COLUMN 2	Band B COLUMN 3	Band C COLUMN 4	Band D COLUMN 5	Band E COLUMN 6	Band F COLUMN 7	Band G COLUMN 8	Band H COLUMN 9	TOTAL COLUMN 10
1. Total number of dwellings on the Valuation List		7,421	33,490	42,715	25,550	7,258	2,767	1,305	178	120,684
2. Number of dwellings on valuation list exempt on 7 October 2013 (Class B & D to W exemptions)		213	811	718	340	96	21	13	2	2,214
3. Number of demolished dwellings and dwellings outside area of authority on 7 October 2013 (please see notes)		0	1	2	0	0	0	0	0	3
4. Number of chargeable dwellings on 7 October 2013 (treating demolished dwellings etc as exempt) (lines 1-2-3)		7,208	32,678	41,995	25,210	7,162	2,746	1,292	176	118,467
5. Number of chargeable dwellings in line 4 subject to disabled reduction on 7 October 2013		5	35	94	107	43	26	14	8	332
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	5	35	94	107	43	26	14	8		332
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6 or in the case of column 1, line 6)	5	7,238	32,737	42,008	25,146	7,145	2,734	1,286	168	118,467
8. Number of dwellings in line 7 entitled to a single adult household 25% discount on 7 October 2013	2	4,917	18,126	16,863	6,704	1,400	367	152	9	48,540
9. Number of dwellings in line 7 entitled to a 25% discount on 7 October 2013 due to all but one resident being disregarded for council tax purposes	0	43	400	598	334	82	22	7	1	1,487
10. Number of dwellings in line 7 entitled to a 50% discount on 7 October 2013 due to all residents being disregarded for council tax purposes	0	1	3	12	26	26	46	41	17	172
11. Number of dwellings in line 7 classed as second homes and so treated for Formula Grant purposes as being entitled to a 50% discount on 7 October 2013 (even if a lower discount has been granted in practice).		36	118	144	62	17	3	4	0	384
12. Number of dwellings in line 7 classed as empty and receiving a zero% discount on 7 October 2013		148	377	351	159	81	20	8	1	1,145
13. Number of dwellings in line 7 classed as empty and receiving 50% discount on 7 October 2013		0	0	0	0	0	0	0	0	0
14. Number of dwellings in line 7 classed as empty and receiving a discount between zero% and 100% (excluding 50%) on 7 October 2013.		21	53	49	18	5	2	0	0	148
15. Number of dwellings in line 7 classed as empty and being charged the Empty Homes Premium on 7 October 2013.		43	62	40	17	8	4	1	1	176
16. Total number of dwellings in line 7 classed as empty on 7 October 2013 (lines 12, 13, 14 & 15) and assumed to be receiving 100% discount for Revenue Support Grant purposes		212	492	440	194	94	26	9	2	1,469
16a Number of dwellings that are classed as empty on 7 October 2013 and have been for more than 6 months. NB These properties should have already been included in line 16 above.		146	267	192	87	35	17	4	2	750
16b Number of dwellings that are classed as empty on 7 October 2013 and have been for more than 6 months and were previously eligible for Class A exemptions. NB These properties should have already been included in line 16 above.		1	1	5	2	2	2	0	0	13
16c Line 16a - line 16b. This is the equivalent of lines 12+14+15 on the CTB(October 2012) and will be used to calculate the New Homes Bonus.		145	266	187	85	33	15	4	2	737

Appendix B: National Non Domestic Rates (NDR) – Mid Year Forecast 2013/14

NATIONAL NON-DOMESTIC RATES RETURN - MID-YEAR FORECAST

2013-14

Please e-mail to: ndr.statistics@communities.gsi.gov.uk by no later than **Wednesday 13 November 2013**

Any enquiries should be directed to Dennis Herbert, Department for Communities and Local Government,
Zone 5/J6, Eland House, Bressenden Place, London SW1E 5DU

All figures should be rounded to the nearest pound.

Ver 1.2

FORECAST NON-DOMESTIC RATING INCOME 2013-14

	£	
NET RATES PAYABLE		
1. Gross sum payable by rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs	52,113,184	
(LESS) ACCOUNTING ADJUSTMENTS:		
LOSSES IN COLLECTION		
2. Provision for bad debt	1,200,000	
LOSSES ON APPEAL		
3. Provision for appeals	2,536,323	
4. Full provision for backdated appeal costs	2,413,202	
5. Has the authority taken advantage of the ability to spread the cost of the provision for backdated appeal costs over 5 years	No	
6. If "Yes" what is the notional year 1 provision for backdated appeal costs?		
COLLECTIBLE RATES		
7. Equals: net rates payable (line1) less accounting adjustments	45,963,659	
TRANSITIONAL PROTECTION PAYMENTS		
8a. Addition revenue received because reductions in rates have been deferred	188,179	0
8b. Revenue foregone because increases in	201,895	0
COST OF COLLECTION		
10. Allowance for cost of collection (Line 22 NDR1 2013-14)	306,296	
SPECIAL AUTHORITY DEDUCTIONS		
11. City of London Offset	0	
DISREGARDED AMOUNTS		
12. Amounts retained in respect of NDD areas	0	
13. Amounts retained in respect of Enterprise Zones	0	
14. Amounts retained in respect of Renewable Energy Schemes	0	
15. Sums retained by billing authority	0	of which:
16. Sums retained by major precepting authority	0	
NON-DOMESTIC RATING INCOME		
17. Equals: collectible rates (line 7) plus line 9 less lines 10 - 14	45,671,080	
18. Non-Domestic Rating Income (Line 36 NDR1 2013-14)	48,190,133	
19. Difference between NDR1 and mid-year forecast (line 17 minus line 18)	-2,519,053	

Deficit on collection fund

Appendix C: Update on CTRS collection performance for 2013/14

Evidence of collecting these debts so far during 2013/14 is as follows;

1. Since April the Council has sent 24,648 reminders to CTRS cases, with a value of £1.3m. Some customers paid their missing instalment(s) or contacted the Council and made an arrangement to pay.
2. There have been 6,533 summonses issued where the customer ignored the reminder notices and did not pay or make an arrangement to pay. Where customers paid in full, or agreed to pay by Direct Debit, the summons and associated costs were withdrawn from their account.
3. So far, the Council has held seven hearings at Bromley Magistrates Court for CTRS cases and has successfully obtained all of the Liability Orders requested. A Liability Order gives the Council greater powers to collect the outstanding debt.
4. Ordinarily, after a hearing the next step would involve the case being referred to the bailiffs because this is a fully automated process. The bailiffs are then responsible for collecting the arrears on behalf of the Council. However, as these cases are in receipt of benefits, an instruction is issued to the Department for Work and Pensions (DWP) to make deductions at source via an Attachment to Benefit Order from their on-going benefit entitlement.
5. It should be noted that there are some circumstances where an attachment cannot be made. This occurs when:-
 - The type of benefit in payment is excluded from an Attachment to Benefit i.e. Disability Living Allowance
 - Deductions are already being made for a previous Council Tax debt or other utility debt
 - The customer's benefit ceased before the Attachment to Benefit could be secured
 - The National Insurance Number does not match debtors details
6. At present, 1,656 liability orders have been referred to the DWP. Whilst an Attachment to Benefit secures payment of the debt, there is a prescribed maximum weekly amount of £3.60 that can be deducted. This means it will take over a year and a half to clear a debt summonsed in July 2013, by which time the 2014/15 charge will be due. Consequently, those in receipt of CTRS will be required to pay their new in-year instalments from a reduced income, owing to the Attachment to Benefit in place to clear their previous years arrears. This is likely to become a reoccurring issue as time goes by and will impact on the Council's revenue collection.