

<b>MAYOR &amp; CABINET</b>			
<b>REPORT TITLE</b>	Setting the Council Tax Base, the NNDR Base & Discounts for Second Homes and Empty Homes		
<b>KEY DECISION</b>	Yes	<b>ITEM No.</b>	
<b>WARD</b>	All		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration and Executive Director for Customer Services		
<b>CLASS</b>	Part 1	<b>Date</b>	14 January 2015

## **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 2015/16. 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 2015/16 be agreed at 75,526.1 Band D equivalent properties, based on an assumed collection rate of 96.0%. 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 was not expected from the Department of Communities & Local Government (DCLG) until the week commencing 22 December 2014. Therefore, the 2013/14 NNDR3 which was submitted to government in May 2014 has been attached at Appendix B. It is on this basis that the provisional NNDR Net Yield figure of £48.055m is provided.
- 1.5. The requirements pertaining to the NNDR Base for 2015/16 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 2015/16.

### **3 RECOMMENDATIONS**

The Mayor is asked to:

- 3.1 Recommend to Council for agreement, at its meeting on 21 January 2015, a Council Tax Base of 75,526.1 Band D equivalent properties for 2015/16;
- 3.2 Note the Council Tax Base calculation for 2015/16, as set out in the annual Council Tax Base government return, attached at Appendix A;
- 3.3 Recommend to Council a budgeted Council Tax collection rate of 96.0%;
- 3.4 Recommend to Council that the existing policy of a 0% discount for second homes for 2014/15 be continued, as set out in section six of this report;
- 3.5 Recommend to Council that the existing policy of 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 Recommend to Council that the existing policy of 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 Recommend to Council that the existing policy of 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 Recommend to Council the proposed National Non Domestic Rate (NNDR) estimated net yield of £48.055m, based on the NNDR3 for 2013/14, attached at Appendix B.
- 3.9 Recommend to Council the proposed Council Tax Reduction Scheme amount for 2015/16 as set out in section 11 of this report.

### **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 25 February 2015.
- 5.3 The Council Tax Base is defined as the number of B and 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 2015/16 was presented to Mayor & Cabinet on 17 December 2014.

## **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 2015/16.
- 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 changeover, 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 2015/16 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 2014 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:-

<b>Band</b>	<b>Proportion (ninths)</b>
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	2,455.2
B	15,658.2
C	26,720.5
D	20,345.0
E	7,577.0
F	3,599.1
G	1,999.1
H	319.0
<b>Aggregate of Relevant Amounts</b>	<b>78,673.0</b>

## 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 2015/16 is as follows:

	2014/15	2015/16
Total of relevant amounts = <b>A</b> =	77,425.3	78,673.0
<b>X</b>		
Collection rate = <b>B</b> =	95.5%	96.0%
<b>Council Tax Base</b>	<b>73,941.2</b>	<b>75,526.1</b>

- 8.3 The detailed calculations proposed for the London Borough of Lewisham for 2015/16 are set in the annual Council Tax Base return to government has been attached at Appendix A. The reason for increasing the collection rate marginally to 96.0% 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 a more efficient service able to enforce debts more 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 improved as the Council continues to rigorously, but sensitively, collect monies it is owed. It is therefore proposed to make an incremental increase in the estimated collection rate to 96.0% for 2015/16 .
- 9.3 On 1 April 2013 the Council implemented a local CTRS which passed on the government cut in grant of £3.28m in full to 24,648 working age households previously in receipt of Council Tax Benefit. A review of the 2013/14 CTRS was undertaken earlier this year which found that Council Tax collection was better than anticipated: 82.6% was collected in year from CTRS recipients, having collected £8.1m of the £9.8m due from all claimants in receipt of CTRS, far better than the 50% predicted at the commencement of the scheme.
- 9.4 The review also found that the impact of the changes was across all groups with none being specifically disadvantaged. The Council has maintained a "safety net" for those households suffering exceptional financial hardship via the Discretionary Hardship Fund, with a maximum £100k available to spend in any one year.
- 9.5 For the reasons set out above, it is proposed to increase the anticipated lifetime collection rate to 96.0% for 2015/16, which (given past performance) is seen as a realistic first step after one full year's assessment of the CTRS .

## **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 £48.055m, 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 £48,055m

	<b>% Share</b>	<b>£</b>
Central Share	50	24,027,500
Lewisham	30	14,416,500
GLA	20	9,611,000
<b>Total</b>	<b>100</b>	<b>48,055,000</b>

- 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 provisional funding level was provided in the Local Government Finance Settlement announcement on 18 December 2014 at £86.363m.
- 10.6 The Council is still awaiting the NNDR1 form, therefore the detailed information used to calculate the estimated net yield above is taken from 2013/14 NNDR3 submitted to government in May 2014 set out in Appendix B to this report. The Mayor is being asked to recommend Council endorse this.

## **11 COUNCIL TAX REDUCTION SCHEME SETTING**

- 11.1 An addendum will be issued prior to the meeting for this section of the report.

## **12 FINANCIAL IMPLICATIONS**

- 12.1 This report proposes that a Council Tax Base of 75,526.1 be set for 2015/16. This represents an increase of just under 1,600 in the number of chargeable dwellings from the Council Tax Base of 2014/15.
- 12.2 Officers believe that increasing the collection rate 96.0% for 2015/16 is 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.

- 12.3 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.

### **13 LEGAL IMPLICATIONS**

- 13.1 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 Section 33 of the Welfare Reform Act 2012 abolished Council Tax Benefit. The Local Government Finance Act 2012 amends the Local Government Finance Act 1992 to make provision for council tax support through locally adopted CTRSs. A report setting out the CTRS for 2015/16 was presented to Mayor & Cabinet on 17 December 2014. That Report contained the outcome of consultation and determined that a local CTRS be retained from 1 April 2015 that passes on any shortfall in government funding, as set out in section 10 and additional support be delivered to the most vulnerable residents through use of the existing provision within Section 13A(1)(c) of the 1992 Local Government Finance Act.
- 13.2 In accordance with the Local Government Finance Act 1992 and related Statutory Instruments, the Authority is required to decide its Council Tax Base for 2015/16 by no later than 31 January 2015.

### **14 CRIME AND DISORDER IMPLICATIONS**

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

### **15 EQUALITIES IMPLICATIONS**

- 15.1 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.

## **16 ENVIRONMENTAL IMPLICATIONS**

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

## **17 CONCLUSION**

17.1 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:**

David Austin Head of Corporate Resources on 0208 314 9114 or;  
Lorraine Richards, Revenues Manager on 0208 314 6047

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



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

### NATIONAL NON-DOMESTIC RATES RETURN - NNDR3 2013-14

All figures should be shown in whole £

Please check the Validation tab to see if there are any validation queries that need to be answered

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#### Local Authority : Lewisham

#### PART 2: COLLECTIBLE RATES AND DISREGARDED AMOUNTS

	Column 1 BA Area (exc. NDD & EZ) £	Column 2 NDD Area £	Column 3 Enterprise Zone £	Column 4 TOTAL (All BA Area) £
<b>NET RATES PAYABLE</b>				
1. Sum payable by rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs	51,461,019	0	0	51,461,019
<b>(LESS) ACCOUNTING ADJUSTMENTS</b>				
<b>LOSSES IN COLLECTION</b>				
2. Sums written off	482,659	0	0	482,659
3. Change in allowance for non collection	674,619	0	0	674,619
<b>LOSSES ON APPEAL</b>				
4. Changes in provision for appeals	526,775	0	0	526,775
5. Changes in provision for backdated appeal costs	1,721,656	0	0	1,721,656
<b>COLLECTABLE RATES</b>				
6. Net Rates payable less accounting adjustments	48,055,310	0	0	48,055,310
<b>DISREGARDED AMOUNTS</b> (See Note C)				Total Renewable Energy
7. Renewable Energy	0	0	0	0
8. Transitional Protection Payment		0	0	
9. Baseline		0	0	
<b>DISREGARDED AMOUNTS</b>		£	£	£
10. Total Disregarded Amounts		0	0	0
<b>DEBTORS AND PRE-PAYMENTS</b> (See Note D)				
11. Sums outstanding from ratepayers (debtors)				4,580,133
12. Sums owed to ratepayers				3,677,031