

| Council | | | |
|---------------------|---|----------|-----------------|
| REPORT TITLE | Setting the Council Tax Base, the NNDR Base & Discounts for Second Homes and Empty Homes | | |
| KEY DECISION | Yes | ITEM No. | |
| WARD | All | | |
| CONTRIBUTORS | Executive Director for Resources & Regeneration and Executive Director for Customer Services | | |
| CLASS | Part 1 | Date | 20 January 2016 |

1. EXECUTIVE SUMMARY

- 1.1. This report presents the recommendations put to the Mayor & Cabinet meeting of the 13 January for the Mayor to recommend to Council for approval.
- 1.2. It covers the statutory calculations required in order to set the Council Tax Base and the National Non-Domestic Rates (NNDR) Base for 2016/17. The Council Tax Base and NNDR Base are statutory obligations and are key elements in setting the General Fund revenue budget.
- 1.3. 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 with the aim of bringing as many as possible back into use as soon as possible. These are set out in section six of this report.
- 1.4. The report recommends that the Council Tax Base for 2016/17 be agreed at 78,528.58 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.
- 1.5. The NNDR1 has only recently been received from the Department of Communities & Local Government (DCLG) for return by the end of January 2016. Therefore, the 2014/15 NNDR3 which was submitted to government in May 2015 has been used, attached at Appendix B. It is on this basis that the provisional NNDR net yield figure of £49.143m is provided.
- 1.6. The requirements pertaining to the NNDR Base for 2016/17 are set out in section ten of this report.
- 1.7. The Mayor, at the Mayor & Cabinet meeting of the 9 December 2015, agreed no changes to the Council Tax Reduction Scheme (CTRS) for 2016/17. The impact

of implementing this is set out in section 11.

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 2016/17. And, presents the impact of implementing the Mayor's decision in respect of the CTRS in 2016/17.

3. RECOMMENDATIONS

- 3.1. Council is asked to:
- 3.2. Note the Council Tax Base calculation for 2016/17, as set out in the annual Council Tax Base government return, attached at Appendix A;
- 3.3. Agree a Council Tax Base of 78,528.58 band D equivalent properties for 2016/17;
- 3.4. Agree a budgeted Council Tax collection rate of 96.0%;
- 3.5. Agree that the existing policy of a 0% discount for second homes for 2015/16 be continued for 2016/17, as set out in section six of this report;
- 3.6. Agree 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;
- 3.7. Agree 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;
- 3.8. Agree 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;
- 3.9. Agree the proposed National Non Domestic Rate (NNDR) estimated net yield of £49.143m, based on the NNDR3 for 2014/15, attached at Appendix B; and
- 3.10. Agree, consistent with the approach taken in 2015/16, to implement the Council Tax Reduction Scheme (CTRS) where 3.0% is passed onto working age CTRS recipients.

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 24 February 2016.

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 2016/17 was presented to Mayor & Cabinet on 9 December 2015.

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 2016/17.
- 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. It is recommended that the Council continues to charge a 50% premium.
- 6.7. It should be noted that approximately 22% 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 2016/17 is:

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

7.3. 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 2015 from factors such as:

- New properties and properties being banded.
- Variations in numbers of exempt properties.
- Successful Appeals against bandings.
- 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.

7.4. The proportions applicable to the various Council Tax bands (the 'basic' band being D) are as follows:-

| Band | A | B | C | D | E | F | G | H |
|---------------------|---|---|---|---|----|----|----|----|
| Proportion (ninths) | 6 | 7 | 8 | 9 | 11 | 13 | 15 | 18 |

- 7.5. 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 | 2,691.8 |
| B | 16,616.3 |
| C | 27,942.6 |
| D | 20,872.8 |
| E | 7,724.3 |
| F | 3,623.0 |
| G | 2,016.3 |
| H | 313.5 |
| Aggregate of Relevant Amounts | 81,800.6 |

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:

$$A \times B = T$$

- 8.2. 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.

- 8.3. 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:

| | 2015/16 | 2016/17 |
|-------------------------------|-----------|-----------|
| Total of relevant amounts (A) | 78,673.0 | 81,800.6 |
| X | | |
| Collection rate (B) = | 96.0% | 96.0% |
| Council Tax Base (T) | 75,526.08 | 78,528.58 |

- 8.4. The detailed calculations proposed for the London Borough of Lewisham for 2016/17 are set in the annual Council Tax Base return to government, attached at Appendix A.

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%, and up to 96.0% in 2015/16 to allow for the impact of the introduction of the Council Tax Reduction Scheme (CTRS). Collection of Council Tax remains challenging as the Council continues to rigorously, but sensitively, collect monies it is owed. With that said it is proposed to retain the estimated collection rate at 96.0% for 2016/17.
- 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. In-year Council Tax collection for 2013/14 and 2014/15 was better than anticipated: 82.6% and 82.90% respectively was collected from CTRS recipients, far better than the 50% predicted at the commencement of the scheme. As at 30 November 2015 the Council has collected 56.98%.
- 9.4. The initial Discretionary Hardship Fund (set up to assist those households experiencing exceptional financial hardship) was retracted at the end of March 2015. Claimants who find themselves in this financial position can make an application under Section 13A(1)(c) of the Local Government Finance Act (1992) on the grounds of severe financial hardship. The provision is available irrespective of the Council Tax Reduction Scheme decided upon for future years.

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 £49.143m, 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 £49.143m

| | % Share | £ |
|---------------|----------------|------------|
| Central Share | 50 | 24,571,504 |
| Lewisham | 30 | 14,742,902 |
| GLA | 20 | 9,828,601 |
| Total | 100 | 49,143,007 |

- 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 17 December 2015 at £87.08.
- 10.6. The Council has just received the NNDR1 form, therefore the detailed information used to calculate the estimated net yield above is taken from 2014/15 NNDR3 submitted to government in mid 2015 set out in Appendix B to this report. Council is being asked to endorse this.

11. COUNCIL TAX REDUCTION SCHEME

- 11.1. At the Mayor and Cabinet meeting held on the 9 December 2015, the Mayor decided that no changes will be made to the Council Tax Reduction Scheme (CTRS) for 2016/17 and that the Council will continue to pass on the government cut in funding to working age.
- 11.2. When the CTRS was introduced in April 2013 the government granted the Council £25.8m for its local scheme. The grant was based on the national spend for 2012/13 less a cut of 10%. The Council is maintaining collection in the region of 80% in the year. From April 2014 the government included an amount in the Revenue Support Grant (RSG) but did not identify a figure or ring fence it. The Standard Financial Assessment (SFA), of which the RSG forms part, is being cut by 8.3% for 2016/17.
- 11.3. The Council has chosen to maintain the £25.8m 'notional' budget from 2013/14 in 2014/15 and it was used along with a small underspend in the CTRS budget carried forward and a reduction in caseload to calculate the % reduction for the year. In 2015/16 the Council chose to pass on the government cut in the SFA of 10.4% and reduced the 'notional' budget. However, further reductions in caseload and an underspend were used to mitigate this.

- 11.4. The % used in the CTRS for 2013/14 was 14.86%; 2014/15 was 2.05%; 2015/16 was 3.00%.
- 11.5. The recommendation, consistent with the approach of previous years, is 3.00% for the CTRS to be passed on to onto working age CTRS recipients in 2016/17.

12. FINANCIAL IMPLICATIONS

- 12.1. This report proposes that a Council Tax Base of 78,528.58 be set for 2016/17. This represents an increase of just over 3,000 in the number of chargeable dwellings from the Council Tax Base of 2015/16.
- 12.2. Officers believe that retaining the 96.0% collection rate for 2016/17 is challenging but 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 and impact of wider government policy changes. 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. 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).
- 13.2. 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 9 December 2015. That Report contained the outcome of the consultation and determined that a local CTRS be retained from 1 April 2016 that passes on any shortfall in government funding, as set out in section 11 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.
- 13.3. In accordance with the Local Government Finance Act 1992 and related Statutory Instruments, the Authority is required to decide its Council Tax Base for 2016/17 by no later than 31 January 2016.

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.
- 17.2. For further information on this report, please contact:

David Austin Head of Corporate Resources on 020 8314 9114 or;
Lorraine Richards, Revenues Manager on 020 8314 6047

Appendix A: Council Tax Base (CTB) – October 2015 Return

Appendix B: National Non Domestic Rates (NNDR) – NNDR3 Return 2014/15

Appendix B: National Non Domestic Rates (NDR) – NDR3 2014/15



**NATIONAL NON-DOMESTIC RATES RETURN - NDR3
2014-15**

Please e-mail to: nndr.statistics@communities.gsi.gov.uk by no later than 15 May 2015.
In addition, a signed copy of the form should also be returned by the same date to the same email address

All figures should be shown in whole £

Please remember that a copy of this form, signed by your Chief Financial Officer / Section 151 officer should also be sent to your relevant Precepting Authorities, and Pool Leads (if applicable).

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

Select your local authority's name from this list:

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| Authority Name E-code Local authority contact name Local authority contact number Local authority e-mail address | <table border="1"> <tr><td>Leeds</td></tr> <tr><td>Leicester</td></tr> <tr><td>Levens</td></tr> <tr><td>Lewisham</td></tr> <tr><td>Lichfield</td></tr> <tr><td>Lincoln</td></tr> </table> <table border="1"> <tr><td>Lewisham</td></tr> <tr><td>E5018</td></tr> <tr><td>Mark Humphreys</td></tr> <tr><td>2083143948</td></tr> <tr><td>mark.humphreys@lewisham.gov.uk</td></tr> </table> | Leeds | Leicester | Levens | Lewisham | Lichfield | Lincoln | Lewisham | E5018 | Mark Humphreys | 2083143948 | mark.humphreys@lewisham.gov.uk |
| Leeds | | | | | | | | | | | | |
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| Mark Humphreys | | | | | | | | | | | | |
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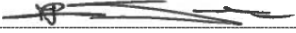
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| PART 1: NON-DOMESTIC RATING INCOME | |
|---|---------------------|
| COLLECTIBLE RATES | |
| 1. Net amount receivable from rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs and accounting adjustments | £ 52,332,991 |
| TRANSITIONAL PROTECTION PAYMENTS | |
| 2. Sums due to the authority | 0 |
| 3. Sums due from the authority | 2,883,590 |
| COST OF COLLECTION (See Note A) | |
| 4. Cost of collection formula | 306,394 |
| 5. Legal costs | 0 |
| 6. Allowance for cost of collection | 306,394 |
| SPECIAL AUTHORITY DEDUCTIONS | |
| 7. City of London offset - not applicable for your authority | 0 |
| DISREGARDED AMOUNTS | |
| 8. Amounts retained in respect of Designated Areas | 0 |
| 9. Amounts retained in respect of Renewable Energy Schemes (See Note B) | 0 |
| of which: | |
| 10. sums retained by billing authority | 0 |
| 11. sums retained by major precepting authority | 0 |
| NON-DOMESTIC RATING INCOME | |
| 12. Line 1 plus line 2, minus lines 3 and 6 - 9 | 49,143,007 |

Certificate of Chief Financial Officer / Section 151 Officer
(to be completed upon submission of provisional NDR3 by 15 May 2015)

I confirm that the amounts entered in this form are in accordance with schedule 7B of the Local Government Finance Act 1988 and regulations made under it.

Name of Chief Financial Officer or Section 151 Officer: JANET SENIOR.

Signature: 

Date: 11-06-2015