MAYOR & CABINET								
REPORT TITLE	•	Setting the Council Tax Base & Discounts for Second Homes and Empty Properties						
KEY DECISION	Yes	ITEM NO.						
WARD	All							
CONTRIBUTORS	Executive Director for Resources; and Executive Director for Customer Services							
CLASS	Part 1		Date	18 January	2012			

### 1 EXECUTIVE SUMMARY

1.1 This report sets out the statutory calculation required in order to set the Council Tax Base for 2012/13, in accordance with the Local Authorities (Calculation of Council Tax Base) regulations 1992, as amended. In addition, the report recommends that the Council Tax Base for 2012/13 be agreed at 89,419.04, based on an assumed collection rate of 96.25%.

## 2 RECOMMENDATIONS

The Mayor is recommended to agree:

- 2.1 To recommend that the Council at its meeting on 1 February 2012, agree a Council Tax Base of 89,419.04 for 2012/13; and
- 2.2 To continue the current local policy on discounts, with the minimum discount of 10% for second homes and 0% for empty dwellings for 2012/13.

## 3 POLICY CONTEXT

3.1 The Council is required to inform the Greater London Authority of its 2012/13 Council Tax Base by 31 January 2012.

## 4 COUNCIL TAX BASE

4.1 Calculation of the Council Tax (the tax) is governed by the Local Government Finance Act 1992 (LGFA 1992) and various regulations there under. In particular, Section 33(1) of the Act requires the basic (Band D) tax to be calculated by applying the formula:

$$(R - P) / T$$

R is the Council's 2012/13 Budget Requirement

**P** is the estimate of the amounts payable to the Council in 2012/13 in redistributed non-domestic rates, revenue support grant, any additional grant and any estimated net surpluses (or deficits) on the Collection Fund

T is the Council's 2012/13 Tax Base

- 4.3 Although the Council's net budget requirement (R above) cannot yet be determined, the 'tax base' (T) can and is subject to the Local Authorities (Calculation of Council Tax Base) Regulations 1992, made under section 33 of the Act and the Local Authorities (Calculation of Council Tax Base) (Amendment) England Regulations 1999. Regulation 8 of the 1992 Regulations requires the calculation to be made some time between 1 December 2011 and 31 January 2012.
- 4.4 The Council's Tax Base is a measure of the Authority's ability to raise revenue from local taxation, the remainder of the Council's budget being funded by Central Government through Formula Grant (Revenue Support Grant and National Non-Domestic Rates). Prior to the commencement of the year, Formula Grant is calculated so as to compensate Local Authorities for differences in their taxbase. If the taxbase is reduced for any reason, Lewisham's budget requirement will be divided over a smaller nominal number of taxpayers, resulting in a higher Council Tax.
- 4.5 The calculation of the Council's Taxbase 'T' can be expressed as the 'Relevant Amounts' (known as 'A') for each valuation band multiplied by the collection rate (known as 'B'). In summary, 'Relevant Amounts' are to be calculated as the number of dwellings on the valuation list supplied by the Inland Revenue adjusted for discounts, disabled person reductions and anticipated changes to the list during 2012/13. The detailed calculation of the 'Relevant Amount' for each valuation band for 2012/13 has been set out at Appendix A.
- 4.6 The proportions applicable to the various council tax bands (the 'basic' band being D) are as follows:-

Band	Proportion (ninths)
Α	6
В	7
С	8
D	9
E	11
F	13
G	15
Н	18

- 4.7 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.
- 4.8 The 'Relevant Amounts' for each Band for 2012/13 are summarised in the table below. This is based on the number of chargeable dwellings being 114,573. This is an increase of 1,005 properties from the 113,568 chargeable dwellings recorded for 2011/12.

Band	Relevant Amount
Α	3,762.2
В	20,611.9
С	31,783.8
D	22,699.8
E	8,022.4
F	3,716.6
G	2,004.2
Н	302.0
Aggregate of Relevant	92,902.9
Amounts	

- 4.9 The aggregate of 'Relevant Amounts' expressed as a Band D equivalent for 2012/13 is therefore 92,902.9.
- 4.10 To set a 96.25% collection rate, the statutory calculation of the 2012/13 Council Tax Base is:

Α	Aggregate of Relevant Amount	92,902.9
В	multiplied by the Collection Rate	x <u>96.25</u> %
Т	equals the Council Tax Base	<u>89,419.04</u>

### 5 DISCOUNTS

5.1 The Council has local discretion, granted under the Local Government Act 2003 (LGA 2003), in setting the discount for homes counted as long term empty and second homes. These are currently:-

Discount category	Percentage awarded	Local / statutory
Single Person	25%	Statutory
All except one household member disregarded	25%	Statutory
All persons in household disregarded	50%	Statutory
Second Home	10%	Local
Long-term empty	0%	Local

- 5.2 The Council has the power under the LGA 2003 to have other local discounts. The Government is currently consulting on changes to the percentage of discount and time limit awarded. However, these changes will not come into effect until 2013/14.
- 5.3 Currently, discounts can be granted either to individuals or to classes of individuals. However, there are financial implications to awarding any discounts other than those currently available. Not only would there be an increase in the general level of Council Tax for other payers, but the complication and cost of administering Council Tax would increase.
- 5.4 It is recommended that the Council only award discounts to the categories listed in the above table.

### 6 FINANCIAL IMPLICATIONS

- 6.1 When considering an assumed collection rate of 96.25% for 2012/13, officers have undertaken a review of the accrued collection rates from 2004 to 2011. The results of this review are attached at Appendix B.
- 6.2 As in previous years, officers remain vigilant with regards to the current economic climate. Whilst it was difficult to predict the scale of the ongoing impact, it remains inevitable that Councils and residents across the country continue to be affected in some way by the current economic climate.
- 6.3 Residents continue to be concerned about their household finances with many still experiencing financial difficulties and the prospects of further redundancies and property repossessions during 2012/13.
- 6.4 The Council Tax section will continue to apply a firm but fair approach when dealing with customers who fall into arrears, in line with the Corporate Collection Policy.
- 6.5 The bad debt provision for 2012/13 has been reviewed and a decision has been taken to maintain an appropriate level of provision as a result of the current economic climate.

  Officers believe that a collection rate of 96.25% for 2012/13 is reasonable, based on the actual debt that has been collected since 2004.
- 6.6 Attached at Appendix B, is a detailed summary of the collection result since 2004. As illustrated, it takes approximately 6 years on average to attain the budgeted percentage. This 6 year period is still considered as a realistic target based on past performance.

# 7 LEGAL IMPLICATIONS

- 7.1 Under the Local Government Finance Act (LGFA) 1992 and Regulations made under it, the Authority is required to decide its Council Tax Base for 2012/13, by no later than 31 January 2012. Section 67 of the 1992 Act reserves to full Council, the decision on the level of the Council Tax.
- 7.2 The Local Government Act 2000 and Regulations made under it say that the responsibility of the Executive in connection with the discharge of the function of calculation of the Council Tax under Sections 32 to 37 LGFA 1992 is limited to the preparation of estimates of the amounts to be taken into account in the Tax Base calculation for consideration by the Authority in fixing that Tax Base.

## 8 CRIME AND DISORDER IMPLICATIONS

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

## 9 EQUALITIES IMPLICATIONS

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

10	ENVIRONMENTAL	IMPLICATIONS
10		. IIVIF LIGA I IGIVO

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

## 11 CONCLUSION

11.1 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 Manager Budget Strategy on 0208 314 6932 or Lorraine Richards, Revenues Manager on 0208 314 6047.

COUNCIL TAX BASE CALCULATION OF RELEVENT AMOUNT

**APPENDIX A** 



## CTB(October 2011)

Calculation of Council Tax Base for Formula 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

92,905.7

Please select your local authority's name from this list

Check that this is your authority:
Local authority contact name:
Local authority telephone number:
Local authority fax number:
Local authority e-mail address:

21. Tax base for Formula Grant purposes (to 1 decimal place) (line 19 col 10 + line 20)

Lewisham Lorraine Richards 020 8314 6047 020 8314 3155 Lorraine Richards@Lewisham C

Local authority e-mail address :	Lorraine Richards@Levish	amGov.Uk								
CTB(October 2011) form for :	Lewishan Band A entitled to disabled relief	n			Completed forms should be received by CLG by Friday 14 October 201				ctober 2011	
Dwellings shown on the Valuation List for the authority on Monday 12 September 2011	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
Total number of dwellings on the Valuation List		7,205	32,324	41,427	25,206	7,164	2,753	1,298	177	117,554
Number of dwellings on valuation list exempt on 3     October 2011 (Class A to W exemptions)		296	1,038	967	453	152	37	28	4	2,975
3. Number of demolished dwellings and dwellings outside area of authority on 3 October 2011 (please see notes)		1	0	3	0	0	0	0	2	6
4. Number of chargeable dwellings on 3 October 2011 (treating demolished dwellings etc as exempt) (lines 1-2-3)		6,908	31,286	40,457	24,753	7,012	2,716	1,270	171	114,573
5. Number of chargeable dwellings in line 4 subject to disabled reduction on 3 October 2011		6	35	90	103	45	23	14	10	326
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	6	35	90	103	45	23	14	10		326
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)	6	6,937	31,341	40,470	24,695	6,990	2,707	1,266	161	114,573
8. Number of dwellings in line 7 entitled to a single adult household 25% discount on 3 October 2011	4	5,058	18,631	17,927	7,439	1,518	422	156	8	51,163
Number of dwellings in line 7 entitled to a 25% discount on 3 October 2011 due to all but one resident being disregarded for council tax purposes	0	39	323	466	282	77	20	6	0	1,213
10. Number of dwellings in line 7 entitled to a 50% discount on 3 October 2011 due to all residents being disregarded for council tax purposes	0	1	5	13	26	27	43	40	15	170
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 3 October 2011 (even if a lower discount has been granted in practice).		38	198	217	104	28	4	6	1	596
12. Number of dwellings in line 7 classed as long-term empty and receiving a 50% discount on 3 October 2011		0	0	0	0	0	0	0	0	0
13. Total number of dwellings in line 7 entitled to a 50% discount for Formula Grant purposes on 3 October 2011 (lines 10+11+12)	0	39	203	230	130	55	47	46	16	766
14. Number of dwellings in line 7 classed as long-term empty and receiving zero% discount on 3 October 2011		83	295	281	189	56	18	15	3	940
15. Number of dwellings in line 7 classed as long-term empty and receiving between zero% and 50% discount on 3 October 2011. Please enter % discount here (please see notes):		0	0		Explanation I	as been added 0	o	o	0	0
16. Number of dwellings in line 7 where there is liability to pay 100% council tax (lines 7-8-9-13-15)	2	1,801	12,184	21,847	16,844	5,340	2,218	1,058	137	61,431
17. Total equivalent number of dwellings after discounts, exemptions and disabled relief (to 2 decimal places) [(line 8 x 0.75) + (line 9 x 0.75) + (line 13 x 0.5) + line 15 x ((100 - % discount)/100) + line 16]	5.00	5,643.25	26,501.00	35,756.75	22,699.75	6,563.75	2,573.00	1,202.50	151.00	101,096
18. Ratio to band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
19. Number of band D equivalents (to 1 decimal place) (line 17 x line 18)	2.8	3,762.2	20,611.9	31,783.8	22,699.8	8,022.4	3,716.6	2,004.2	302.0	92,905.7
20. Number of band D equivalents of contributions in lieu (in	respect of Cla	ass O exemp	t dwellings) ir	1 2011-12 (to	1 decimal pla	ace)				0.0

# COUNCIL TAX COLLECTION RATES 2004/05 TO 2010/11 APPENDIX B

Relevant Council Tax Year	Total Collected	Gross Debit	Percentage Collected	Percentage Budgeted
	£'000	£'000	%	%
2010/11	118,110	122,902	96.10	96.25
2009/10	117,387	121,956	96.25	96.25
2008/09	116,313	119,095	97.66	96.25
2007/08	111,463	115,876	96.19	96.25
2006/07	107,347	111,982	95.86	96.25
2005/06	103,366	106,364	97.18	96.18
2004/05	98,011	101,215	96.83	96.18

The above amounts represent the rates of collection over a number of years.