

<b>Council</b>			
<b>REPORT TITLE</b>	Setting the Council Tax Base, the NNDR Tax Base & Discounts for Second Homes and Empty Homes		
<b>KEY DECISION</b>	Yes	ITEM No.	
<b>WARD</b>	All		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration and Executive Director for Customer Services		
<b>CLASS</b>	Part 1	Date	18 January 2017

## 1. EXECUTIVE SUMMARY

- 1.1. This report sets out the statutory calculations required in order to set the Council Tax Base and estimates the National Non-Domestic Rates (NNDR) tax base for 2017/18. The Council Tax Base and NNDR estimates 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 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.
- 1.3. The report recommends that the Council Tax Base for 2017/18 be agreed at 81,087.65 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 return, which estimates the annual business rates yield, is currently being completed and is due to be submitted to the Department of Communities & Local Government (DCLG) by the end of January 2017. There may be updates that effect the values on this return over the coming weeks before the submission deadline. It has therefore been necessary to provide an estimated income value. On this basis, the provisional NNDR net yield figure for 2017/18 is £58.682m.

- 1.5. The requirements pertaining to the NNDR Base for 2017/18 are set out in section 10 of this report.
- 1.6. The Mayor, at the Mayor & Cabinet meeting of the 7 December 2016, agreed no changes to the Council Tax Reduction Scheme (CTRS) for 2017/18. 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 2017/18. And, presents the impact of implementing the Mayor's decision in respect of the CTRS in 2017/18.

## **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 81,087.65 Band D equivalent properties for 2017/18;
- 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 2016/17 be continued for 2017/18, 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, consistent with the approach taken in 2016/17, to implement the Council Tax Reduction Scheme (CTRS) to reflect reductions in the Settlement Funding Assessment, which for 2017/18 will mean 33% is passed onto working age CTRS recipients.
- 3.10. note the proposed 2017/18 National Non Domestic Rate (NNDR) estimated net yield of £58.682m, based on current information available.
- 3.11. agree to delegate the approval of the final 2017/18 NNDR1 form to the Executive Director for Resources and Regeneration for submission by the deadline of 31st January 2017.

#### **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 22 February 2017 as part of setting the Council's annual budget.
- 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 2017/18 was presented to the Mayor & Cabinet on 7 December 2016. This report proposes the percentage to be passed on to working age claimants.

## **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 2017/18.

- 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 2017/18 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 2016 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.

7.3. 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

7.4. 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	2,828.6
B	17,359.6
C	29,138.1

D	21,256.1
E	7,887.1
F	3,639.0
G	2,036.7
H	319.5
<b>Aggregate of Relevant Amounts</b>	<b>84,466.3</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:

	<b>2016/17</b>	<b>2017/18</b>
Total of relevant amounts (A)	81,800.6	84,466.3
X		
Collection rate (B) =	96.0%	96.0%
Council Tax Base (T)	<b>78,528.58</b>	<b>81,087.65</b>

- 8.3. The detailed calculations proposed for the London Borough of Lewisham for 2017/18 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 held steady in recent years, reflecting the work of the service 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 in the current economic environment and the Council continues to rigorously, but sensitively, collect monies it is owed. The in-year collection rate is reported to members in the regular financial monitoring. For 2016/17 the most recent forecast was 96%. It is therefore proposed to retain the estimated collection rate at 96.0% for 2017/18.
- 9.3. 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. 2017/18 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.
- 10.2. 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. Under the current system, 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. For example; with the announcement that London will be a pilot authority in 2017/18.

- 10.3. It was announced in the 2015 Autumn Statement that local government will be able to retain 100% Business Rates by 2020/21. The government plans for this to be fiscally neutral and will therefore be looking to transfer additional responsibilities and funding responsibilities to local government. The exact details of how this will work is currently unknown. It is possible that the structure of the current rates retention scheme may alter gradually over the next few years as we approach full retention.
- 10.4. On the 1st April 2017, the new revaluation rates become effective, which has led to a higher estimated income for Lewisham, up 36%. The government plans for the effect of the revaluation to also be fiscally neutral, so even though Lewisham's retained income increases, an adjustment will be made to the top-up it receives from central government to level this out. The government is also allowing for a higher provision for appeals, consistent with the implementation of the new valuations from April 2017.
- 10.5. The Council is in the process of completing the 2017/18 NNDR1 form which is due for submission on the 31st January 2017. The information used to calculate the net yield in this report therefore based on the new rateable value and is an estimate.
- 10.6. In summary, the Council estimates that it will collect £58,682,096 in 2017/18, 30% (£17.6m) of which will be retained by the Council. The full distribution is as shown below:

<b>Business Rates</b>	<b>Percentage Share</b>	<b>Amount £m</b>
Central Share	50	29,341,048
Lewisham	30	17,604,628
GLA	20	11,736,419
Total	100	58,682,096*

\*After allowing for transitional arrangements, small business rate uplift/relief, exemptions, allowances, business rates supplements and BRS relief, collection rate and appeals allowance.

- 10.7. As the figures included on the NNDR1 return (due for submission by the 31 January 2017) may vary from the estimated level disclosed in this report, delegation is sought from Council to allow the opportunity to revise the Tax Base and approve a revised and more accurate position.

- 10.8. Council is asked to endorse this estimate and agree to delegate the approval of the final 2017/18 NNDR 1 return to the Executive Director for Resources and Regeneration.
- 10.9. 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 2017/18 funding level was provided in the Local Government Finance Settlement announcement on 15 December 2016 of £88.8m.

## 11. COUNCIL TAX REDUCTION SCHEME

- 11.1 In April 2013 when Council Tax Benefit became the Council Tax Reduction Scheme (CTRS) 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 chose to pass on this cut to the 24,648 working age claimants as pensioners are protected.
- 11.2 Since April 2014 the government included an amount in the Revenues Support Grant (RSG) for local Council Tax Reduction Schemes but did not identify a figure or ring fence it. The Council 'notionally' identified the £25.8m in the budget and ring fenced it for the Council Tax Reduction Scheme. However, the Council reviews the 'notional' budget annually and has assumed a reduction in it in line with the government cuts which it has chosen to pass onto working age claimants.
- 11.3 At the Mayor and Cabinet meeting on the 7 December 2016, the Mayor decided that no changes will be made to the Council Tax Reduction Scheme (CTRS) for 2017/18 and that the Council will continue to pass on the government cuts in funding to working age claimants.
- 11.4 To date the Council has chosen to calculate the cut (amount to pass on) by taking the actual cut in the Settlement Funding Assessment (SFA) from the previous year. The Council also chose to carry forward the surplus from the previous year and to date this has helped reduce the amount of cut passed on.
- 11.5 A summary table is shown below of what has happened so far:

<b>Council Tax Reduction Scheme</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Notional budget for CTRS	£25.8m	£25.8m	£23.1m	£20.8m
Revenues Support Grant % cut	-	18.7%	27.5%	19.1%
Settlement Funding Assessment % cut	-	10.4%	14.1%	8.3%

% passed on to working age claimants	14.86%	2.05%	3.00%	3.00%
Approx. weekly payment for a single person entitled to maximum CTRS	£2.26	£0.31	£0.46	£0.46
Approx. weekly payment for a family entitled to maximum CTRS	£3.44	£0.47	£0.70	£0.70

11.6 To date the Council has been reducing the budget for the scheme but this has had minimal impact on working age claimants because the Council has used the surpluses from previous years to limit the impact. This is shown in the table below.

<b>Council Tax Reduction Scheme</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Notional budget for CTRS	£25.8m	£25.8m	£23.1m	£20.8m
Carry forwards of CTRS budget underspend from previous year	-	£1.2m	£1.9m	£2.3m
Actual budget available for CTRS	£25.8m	£27m	£25m	£23.1m

11.7 The impact of passing on the cut has also been mitigated by a reduction in the number of working age claimants. In April 2013 there were 24,648 and now there are 18,777.

11.8 The recommendation, consistent with the approach of previous years, is for the Council to continue to pass on the cumulative Settlement Funding Assessment cut from the previous years of 33%. This means that everyone of working-age has to pay a minimum of 33% of their council tax liability.

## **12. FINANCIAL IMPLICATIONS**

12.1. This report proposes that a Council Tax Base of 81,087.65 be set for 2017/18. This represents an increase of approximately 2,500 chargeable dwellings from the Council Tax Base of 2016/17.

12.2. Officers believe that retaining the 96.0% collection rate for 2017/18 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 removal of some 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 2017/18 was presented to Mayor & Cabinet on 7 December 2016. That Report contained the outcome of the consultation and determined that a local CTRS be retained from 1 April 2017 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 2017/18 by no later than 31 January 2017.

#### Equalities Legislation

- 13.4. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 13.5. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

- advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 13.6. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed at 13.5 above.
- 13.7. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.
- 13.8. The Equality and Human Rights Commission has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:  
<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>  
<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>
- 13.9. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:  
[The essential guide to the public sector equality duty](#)  
[Meeting the equality duty in policy and decision-making](#)  
[Engagement and the equality duty: A guide for public authorities](#)  
[Objectives and the equality duty. A guide for public authorities](#)  
[Equality Information and the Equality Duty: A Guide for Public Authorities](#)

13.10. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at:  
<https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1>

## **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. Consistent with the Legal Implications noted above.

## **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



