

	<b>Mayor and Cabinet</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	16 January 2019

## **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 2019/20. 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 Council also has the ability to offer discretionary discounts to individuals, groups of individuals or, households but the cost is borne by all other Council Tax payers. The report recommends the continuation of the discretionary Council Tax discount of 100% for care leavers, this is set out in section six of this report.
- 1.4 The report recommends that the Council Tax Base for 2019/20 be agreed at 88,405.1 Band D equivalent properties, based on an assumed collection rate of 97.0%. 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 return, which estimates the annual business rates yield, is currently being completed and is due to be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) by the end of January 2019. 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 2019/20 is £67.4m.

- 1.6 The requirements pertaining to the NNDR Base for 2019/20 are set out in section ten of this report.
- 1.7 The Mayor, at the Mayor & Cabinet meeting on the 12 December 2018, agreed no changes to the Council Tax Reduction Scheme (CTRS) for 2019/20, and is now asked to recommend that Council agree this in the Council Tax Base Report at the Council meeting on 23 January 2019. The impact of implementing this is set out in section eleven.

## **2. PURPOSE OF THE REPORT**

- 2.1 The purpose of this report is to ask the Mayor to recommend Council set the Council Tax Base, the NNDR base and the policy relating to discounts for second / empty homes and the continuation of the discretionary Council Tax discount for care leavers.

## **3. RECOMMENDATIONS**

- 3.1 The Mayor is asked to:
  - 3.2 note the Council Tax Base calculation for 2019/20, as set out in the annual Council Tax Base government return, attached at Appendix A;
  - 3.3 recommend Council agree a Council Tax Base of 88,405.1 Band D equivalent properties for 2019/20;
  - 3.4 recommend Council agree a budgeted Council Tax collection rate of 97.0%;
  - 3.5 recommend Council approve the continuation of the discretionary Council Tax discount of 100% for care leavers up to the age of 25, as set out in section six of this report;
  - 3.6 recommend Council agree that the existing policy of a 0% discount for second homes for 2018/19 be continued for 2019/20, as set out in section six of this report;
  - 3.7 recommend Council 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;
  - 3.8 recommend Council 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;
  - 3.9 recommend Council agree that the existing policy of an empty homes premium in respect of long term empty properties is increased to 100%, as set out in section six of this report;

- 3.10 note the proposed 2019/20 National Non Domestic Rate (NNDR) estimated net yield of £67.4m, based on current information available.
- 3.11 recommend Council agree to delegate the approval of the final 2019/20 NNDR1 form to the Interim S151 Officer for submission by the deadline of 31st January 2019.

#### **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; and
- 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 27 February 2019 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 Council's CTRS for 2019/20 was presented to the Mayor & Cabinet on 12 December 2018.

## **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.
- 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 2019/20.
- 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. In November 2018 the Act was amended increasing the premium from 50% to 100% effective from 1

April 2019, with further incremental increases in future years. Authorities can now charge 100% more council tax on a long term empty property when compared to an occupied property where no single person discount is applicable. It is recommended that the Council increases the premium to 100% for 2019/20.

- 6.7 Section 13A(1)(c) of the 1992 Local Government Finance Act 1992 gives local authorities the ability to offer discretionary discounts to individuals, groups of individuals or households encountering exceptional financial hardship. The legislation allows the Council to reduce or write off a percentage of the amount payable or the entire sum. The cost of the write off is borne by the remaining Council Tax payers or, the Council budgeting for less Council Tax income.
- 6.8 Since 1 April 2015 this section of the Act has mainly been used to help those impacted by the introduction of the Council's local Council Tax Reduction Scheme. However, from 1 April 2018 the Council introduced a discount for care leavers. The Council, as corporate parent, is committed to improving the life chances of looked after children and care leavers and provides a range of support to children and young people leaving care. The exemption from paying Council Tax up to the age of 25 is seen as a further opportunity to provide financial support to care leavers transitioning from care into independent living. To date 126 awards have been made to the value of £20,548.
- 6.9 It should be noted that approximately 22% of any additional Council Tax income generated as a result of the variation in discounts is attributable to the Greater London Authority in line with their precept element of the Council Tax.
- 6.10 These discounts and exemptions form part of the Council Tax Base calculation and therefore need to be agreed at this time.

## **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 2019/20 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 2018 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	3,306
B	19,232.8
C	31,849.7
D	22,456.8
E	8,230.5
F	3,680.2
G	2,060.3
H	323.0
<b>Aggregate of Relevant Amounts</b>	<b>91,139.3</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 2019/20 is as follows:

	<b>2018/19</b>	<b>2019/20</b>
Total of relevant amounts (A)	90,059.0	91,139.3
X		
Collection rate (B) =	96.0%	97.0%
<b>Council Tax Base (T)</b>	<b>86,456.64</b>	<b>88,405.1</b>

- 8.3 The detailed calculations proposed for the London Borough of Lewisham for 2019/20 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. Collection of Council Tax remains challenging in the current

uncertain 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 2018/19 the most recent forecast was 96%. It is proposed to increase the estimated collection rate to 97.0% for 2019/20 after considering the lifetime collection rate and the actions proposed to increase collection.

- 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.

### **2019/20 NNDR TAX BASE**

- 9.4 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.
- 9.5 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.
- 9.6 Under the 2019/20 system, the London Borough of Lewisham will retain 48% of all business rates collected within the borough, 27% is attributed to the Greater London Authority and the remaining 25%, known as the Central Share, is passed to the Government. This is a change from the 100% London pilot scheme for 2018/19 where there was no central share and rates collected were shared 63% and 37% between Lewisham and the GLA respectively.
- 9.7 The change in the share of the rates collected is due to the Government changing the retention pilot from 100% retention in 2018/19 to 75% retention. London Government will only retain 75% of rates collected.
- 9.8 London Government has agreed, in principle, to extend its business rates retention pilot and pool in 2019-20 covering the GLA and the 33 London billing authorities. This will be a 75 per cent retention pilot and the distribution of revenues will operate on broadly the same basis as in 2018-19.
- 9.9 The Council is in the process of completing the 2019/20 NNDR1 form which is due for submission on the 31st January 2019. The information used to calculate the net yield in this report is therefore based on the new rateable value and is an estimate. There is an expectation that data requirements for the NNDR1 and



NNDR3 returns will change in the future years. The government issued a business rates retention consultation in December 2018 as part of the provisional Local Government Finance Settlement papers.

- 9.10 In summary, the Council estimates that it will collect £67.4m in 2019/20. Under the extended pilot pooling system, the distribution rates have now changed as detailed above. The full distribution is as shown below:

<b>Business Rates*</b>	<b>Percentage Share</b>	<b>Amount £m</b>
Central Share	25%	16.85
Lewisham	48%	32.35
GLA	27%	18.20
<b>Total</b>	<b>100%</b>	<b>67.40</b>

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

- 9.11 As the figures included on the NNDR1 return (due for submission by the 31 January 2019) 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.
- 9.12 Council is asked to endorse this estimate and agree to delegate the approval of the final 2019/20 NNDR 1 return to the Acting Chief Finance Officer.
- 9.13 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 MHCLG calculation of the Council's baseline funding level. This provisional 2019/20 funding level was provided in the Local Government Finance Settlement announcement on 13 December 2018 of £121.17m

## **10. COUNCIL TAX REDUCTION SCHEME**

- 10.1 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. Pensioners are protected from the changes under legislation maintaining their support at least in line with Council Tax Benefit levels.
- 10.2 The outturn collection percentage for customers in receipt of CTRS for 2017/18 was 80.48%, a decrease of 2.28% on the previous financial year. The drop in collection is attributable to the increase in contribution from CTRS claimants. In 2016/17 CTR claimants contributed a minimum of 3% towards their Council Tax, this increased to 33% for 2017/18. With that said, collection was still substantially better than the original estimate of 50% when the scheme was

introduced.

- 10.3 On the 12th December 2018, the Mayor decided that no changes should be made to the CTRS for 2019/20 and that the Council should continue to pass on the government cut in funding to working age claimants. In 2019/20 this will mean eligible claimants will need to contribute a minimum of 25% towards their Council Tax.
- 10.4 The Mayor also decided to modify the retained local CTRS from 1 April 2019 to allow CTR to be awarded to households who are receiving universal credit or housing benefit and who the Council identifies would qualify for support but who have, for whatever reason, failed to complete an application form and to continue to deliver additional support to the most vulnerable residents through use of the existing provision within Section 13A(1)(c) of the 1992 Local Government Finance Act.

## **11. FINANCIAL IMPLICATIONS**

- 11.1 This report proposes that a Council Tax Base of 88,405.1 be set for 2019/20. This represents an increase of over 1,948 chargeable dwellings from the Council Tax Base of 2018/19.
- 11.2 Officers believe that increasing the collection rate to 97% for 2019/20 is challenging but realistic, based on the actual debt that has been collected during the course of the current financial year and over the lifetime of the collection fund. In line with current policy, the collection rate target is subject to review annually.
- 11.3 In respect of the Care Leavers exemption the annual cost to date is £20,548. This represents General Fund revenue forgone which has been met through reductions in expenditure in other areas of activity. In the short term at least, it cannot be met by increasing the Council Tax of others paying as the Council's Medium Term Financial strategy already assumes the maximum levels of increase (2.99% annually) without triggering the need for a referendum.
- 11.4 In relation to the Long Term Empty Property premium, increasing the premium from 50% to 100% will generate an estimated £230k additional revenue during 2019/20 based on the number of properties charged the premium rate for 2018/19.
- 11.5 Consideration has also been given to the current economic uncertainty 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 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.

## **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 removal of some 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 2018/19 was presented to Mayor & Cabinet on 12 December 2018. That Report contained the outcome of the consultation and determined that a local CTRS be retained from 1 April 2019 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.
- 12.3 Section 13A(1)(c) of the Local Government Finance Act 1992 provides that the Council may reduce the amount of council tax which a person is liable to pay in respect of any chargeable dwelling and any day (as determined in accordance with sections 10 to 13) to such extent as the billing authority for the area in which the dwelling is situated thinks fit (i.e. discretionary discounts).
- 12.4 Discretionary discounts recognise that an Authority's Local Council Tax Reduction Scheme does not always meet the household's full Council Tax liability. The Council has the right to choose whether to use its powers on a case-by-case basis or it also has the right to specify a class of use. A class of use is where several people who pay Council Tax fall into a group because their circumstances are similar.
- 12.5 In accordance with the Local Government Finance Act 1992 and related Statutory Instruments, the Authority is required to decide its Council Tax Base for 2019/20 by no later than 31 January 2019.

### Equalities Legislation

- 12.6 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.

12.7 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.

12.8 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.

12.9 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.

12.10 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>

12.11 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](#)

- 12.12 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>

### **13. CRIME AND DISORDER IMPLICATIONS**

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

### **14. 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.

### **15. ENVIRONMENTAL IMPLICATIONS**

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

### **16. 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;  
Ralph Wilkinson Head of Public Services on 020 8314 6040

