

MAYOR & CABINET			
REPORT TITLE	Setting the Council Tax Base & Discounts for Second Homes and Empty Properties		
KEY DECISION	Yes		ITEM NO. 15
WARD	All		
CONTRIBUTORS	Executive Director for Resources; and Executive Director for Customer Services		
CLASS	Part 1	Date	19 January 2011

1 EXECUTIVE SUMMARY

- 1.1 This report sets out the statutory calculation required in order to set the Council Tax Base for 2011/12, 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 2011/12 be agreed at 88,486.96, 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 24 January 2011, agree a Council Tax Base of 88,486.96 for 2011/12; 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 2011/12.

3 POLICY CONTEXT

- 3.1 The Council is required to inform the Greater London Authority of its 2011/12 Council Tax Base by 31 January 2011.

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 2011/12 Budget Requirement

P is the estimate of the amounts payable to the Council in 2011/12 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 2011/12 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 2010 and 31 January 2011.
- 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 2011/12. The detailed calculation of the 'Relevant Amount' for each valuation band for 2011/12 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)
A	6
B	7
C	8
D	9
E	11
F	13
G	15
H	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 2010/11 are summarised in the table below. This is based on the number of chargeable dwellings being 113,568 . This is an increase of 1,245 properties from the 112,323 chargeable dwellings recorded for 2010/11.

Band	Relevant Amount
A	3,746.4
B	20,233.9
C	31,322.4
D	22,583.3
E	8,027.9
F	3,693.8
G	2,021.3
H	305.5
Aggregate of Relevant Amounts	91,934.5

- 4.9 The aggregate of 'Relevant Amounts' expressed as a Band D equivalent for 2011/12 is therefore 91,934.5.
- 4.10 To set a 96.25% collection rate, the statutory calculation of the 2011/12 Council Tax Base is:

A	Aggregate of Relevant Amount	91,934.5
B	multiplied by the Collection Rate	x <u>96.25%</u>
T	equals the Council Tax Base	<u>88,486.96</u>

5 CHANGES TO 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. Discounts could 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.

- 5.3 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 2011/12, officers have undertaken a review of the accrued collection rates from 2000 to 2010. The results of this review are attached at Appendix B.
- 6.2 As in previous year, serious consideration has been given 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 in during 2011/12.
- 6.4 The Council Tax section will continue to apply a firm but fair approach when dealing with customers in arrears, in line with the Corporate Collection Policy.
- 6.5 The bad debt provision for 2011/12 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 2011/12 is reasonable, based on the actual debt that has been collected since 2000.
- 6.6 Appendix B provides a detailed summary of the collection result since 2000. As illustrated it takes approximately 6 years on average to attain the budgeted percentage. This is viewed as a realist target based on past performance.

7 LEGAL IMPLICATIONS

- 7.1 Under the LGFA 1992 and Regulations made under it, the Authority is required to decide its Council Tax Base for 2010/11 by no later than 31 January 2011. 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

- 10.1 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 COLLECTION RATES 2003/04 TO 2009/10**APPENDIX B**

Relevant Council Tax Year	Total Collected	Gross Debit	Percentage Collected	Percentage Budgeted
	£'000	£'000	%	%
2009/10	116,676	121,956	95.67	96.25
2008/09	114,146	119,095	95.84	96.25
2007/08	111,313	115,876	96.06	96.25
2006/07	107,281	111,982	95.80	96.25
2005/06	103,310	106,364	97.13	96.18
2004/05	97,973	101,215	96.80	96.18
2003/04	91,742	94,351	97.24	96.35

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