

CORPORATE COMMITTEE 27 JANUARY 2022

Report title: Calculation of Council Tax Base and National Non-Domestic Rates Return (NNDR) 1 2022/23

Wards: All

Portfolio: Cabinet Member for Finance and Performance: Councillor Andrew Wilson

Report Authorised by: Fiona McDermott: Strategic Director for Finance and Investment

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REPORT SUMMARY

This report sets out the statutory information that is needed in order to set the Council's council tax base and requests approval to set the tax base for 2022/23 and to delegate the authority of finalising the business rates tax base to the Director of Finance and Property. The council tax base recommended in this report will be used in the calculation of the level council tax that will be recommend to Council in March 2022. It is also used by the Greater London Authority to work out their precept on the council tax. Preceptors must be notified by 31 January 2022. The setting of both the Council Tax base and the business rates tax base are statutory obligations set out in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, in accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

FINANCE SUMMARY

The Council Tax base recommended in this report will be used in the calculation of the level of council tax for 2022/23 that will be recommended to Council in February 2022. Both Council Tax and NNDR income is a key resource within the General Fund budget.

RECOMMENDATIONS

1. To approve the calculation and the amount calculated as the Council Tax base for the year 2022/23 at 111,161 (110,872 in 2021/22) as set out in appendix 1(b).
2. To approve the schedule of discounts and premiums in paragraph 2.11, which remains unchanged.
3. To note that the changes to the Council Tax Support Scheme which are due to be adopted from 01 April 2022, are captured within the adjustments made to reach the recommended Council Tax Base within this report.
4. To delegate authority to the S151 Officer, the Director of Finance and Property to finalise and approve the NNDR1 form setting out the business rate tax base.

1. CONTEXT

- 1.1 The tax base represents the total taxable value of every residential property in Lambeth. Each year Lambeth has to work out how much the product of next year's band D council tax will be in order to inform the budget required to fund its services. The band D tax is calculated by dividing the budget requirement by the council tax base. The Greater London Authority also needs the tax base figure to work out how much they need to precept to pay for their services. The Council is required to inform its preceptors of the Council Tax base by 31 January 2022.
- 1.2 The business rates tax base is calculated using the NNDR1 form set by the Department for Levelling Up, Housing and Communities (DLUHC). The report recommends that the authority to finalise Lambeth's submission be delegated to the Director of Finance and Property.
- 1.3 Following the national policy changes that came into effect on 1 April 2013 which introduced the council tax reduction scheme there have been no subsequent policy changes to that position that would impact on 2022/23.

2. PROPOSAL AND REASONS

- 2.1 The calculation required to set the council tax base for 2022/23 is in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 and Article 3 of the Localism Act 2011 (Commencement No 1 and Transitional Provisions) Order 2011. This is set out in appendix 1(a).
- 2.2 There are a number of factors that impact the council tax base calculation, and these are set out in the sections below:
 - a. Council tax support scheme
 - b. Council tax collection rate
 - c. Council tax discounts, exemptions, and premiums
 - d. Calculation of the council tax base

Council tax support scheme

- 2.3 The Council Tax base must be adjusted to include the impact of the local Council Tax Support Scheme that has been adopted by the local authority. To meet this requirement an adjustment must be applied to each property band that accounts for the impact that the adopted scheme will have before the property band is converted into its number of band D equivalent properties.
- 2.4 The current Lambeth scheme protects and supports around 24,000 households each year. However, the Council recognises the financial challenges faced by Lambeth residents due to Covid-19 and the rises in Council Tax costs and wishes to offer a more generous Council Tax Support scheme for 2022-23 to support residents financially.
- 2.5 The council is legally required to consult prior to any changes to CTS. Consultation ran from 30 June 2021 until 30 September 2021. Five potential options were consulted upon:
 - Removing the 20% liability reduction
 - Removing the £5 minimum weekly payment
 - Removing mandatory minimum non-dependant deductions based on the circumstances of the householder
 - Removing mandatory minimum non-dependant deductions based on the circumstances of the non-dependant
 - Reducing the excess income taper to 20% from 25%

- 2.6 The consultation received 280 responses. Although not high, this is comparable to previous CTS consultations and consultations in general. There was firm support from respondents for all options.
- 2.7 The regulations do not provide an underlying calculation that must be used in calculating this (Item Z); rather, an authority must make its own assessment of the impact and include it in its Council Tax base using an appropriate method.
- 2.8 Current estimates show that for 2022/23 the scheme will reduce the overall council tax base by 19,317 properties before adjustment for the collection rate.

The Collection Rate

- 2.9 In calculating the tax base it is necessary to apply an estimated collection rate to the total number of band D equivalent properties.
- 2.10 For 2021/22, the estimated collection rate was set at 96.5% and will continue to use this rate for 2022/23. The collection rate to end of December 2021 is 79.9% which is a small increase when compared to the same period in 2020/21 (78.9%). While both are still below levels achieved prior to the pandemic, we expect to see this recovery to historic levels over the longer term.

Council tax discounts, exemptions, and premiums

- 2.11 All council tax discounts, exemptions, and premiums from 2021/22 remain unchanged for 2022/23. The overall position effective from 1 April 2022 is below:

Discount / Premium Type	Recommended Discount / Premium to be Applied by Lambeth	Range of Discount / Premium Permissible	Discretionary / Statutory
Discounts			
Single Person	25%	25%	Statutory
All except one person in household disregarded	25%	25%	Statutory
All persons in household disregarded	50%	50%	Statutory
Second home	0%	0-100%	Discretionary
Class A (empty dwellings undergoing major repairs)	0%	0-100% (for 1yr) 0-50% (after 1yr)	Discretionary
Class C (vacant, unfurnished dwellings)	0%	0-100% (for 6mths) 0-50% (after 6mths)	Discretionary
Premiums			
Empty Homes Premium (2-5 years)	100%	0-100%	Discretionary
Empty Homes Premium (5-10 years)	200%	0-200%	Discretionary
Empty Homes Premium (10+ years)	300%	0-300%	Discretionary

- 2.12 Some discounts or premiums that are applied to council tax bills are statutorily required whereas for others the billing authority has discretion over the level of discount or premium, if any, is

applied. The level of discounts or premiums that are adopted directly impacts the Council Tax base figure.

2.13 The Local Government Finance Act 2012 grants local authorities further discretion on the level of exemptions and discounts that can be applied, and also introduced a premium that can be applied to certain property types. These discounts and premiums are separate from the discounts adopted in the localised Council Tax Support Scheme. A summary can be found below of these discretionary powers and the recommended level of premium or discount to be adopted.

2.14 The recommended levels of the premiums and discounts outlined have been set after referring to the Council's Income and Debt Policy which has the strategic aim to maximise income collection and minimise levels of debt by the most fair, efficient, and cost-effective means whilst identifying and providing support for our most vulnerable debtors.

2.15 It is also considered that these premiums and discounts will incentivise the supply of housing to the borough as well as encouraging all landlords to re-let any empty properties as soon as possible.

Empty Homes Premium

2.16 The Local Government Finance Act 2012 introduced the power for local authorities to charge an empty homes premium of up to 100% for properties empty for two years or more. Applying the full 100% premium would mean that for a property meeting the criteria the council tax liable would be 200% of the council tax bill for a non-empty property of the same band. Details of conditions that must be met for a property to be classed as empty can be found in section 12 of the Local Government Finance Act 2012.

2.17 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 allowed councils to charge a 100% premium on empty properties from 01 April 2019, a 200% premium on properties empty for at least 5 years and, from 01 April 2021 a 300% premium on properties empty for at least 10 years.

Second Homes

2.18 From April 2013/14 billing authorities have had the power to set discounts of 0% – 100% of the full rate of council tax on second homes. Previously bill payers were entitled to a discount of 10% - 50%.

Empty Dwellings Undergoing Major Repairs (Class A)

2.19 From April 2013/14 billing authorities have had the discretion to apply a discount of 0% – 100% for the first year that a property falls under this class. After 1 year a discount of 0% – 50% can be applied indefinitely. Previously bill payers would have received a 100% exemption for the first year.

Vacant, Unfurnished Dwellings (Class C)

2.20 From April 2013/14 billing authorities have been able to apply a discount of 0% – 100% for up to the first 6 months that a property falls under this class. The authority also has the power to vary the level of discount applied to different months within the first 6 months. After this the authority can set a discount of 0% – 50% indefinitely.

Other Discretionary Discounts

2.21 The Council has the power under the Local Government Act 2003 to implement other local discounts. Discounts would be granted either to individuals or to classes of individuals. There are financial implications to granting any discounts in addition to those set out above: 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.

Calculation of the Council Tax Base

- 2.22 Calculation of the Council Tax is governed by the Local Government Finance Act 1992 and various regulations thereunder. In particular, Section 31B(1) of the Act (as amended) requires the basic (Band D) tax to be calculated by applying the formula: The Council's "council tax requirement" **divided by** The Council's "Council Tax Base"
- 2.23 For council tax purposes properties are placed in different property 'bands' depending on the value of the property. The banding is determined by the Valuation Office Agency although it is subject to valuation appeals. The band that a property is in is used to determine the council tax liability for that property.
- 2.24 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	$\frac{6}{9}$	$\frac{7}{9}$	$\frac{8}{9}$	$\frac{9}{9}$	$\frac{11}{9}$	$\frac{13}{9}$	$\frac{15}{9}$	$\frac{18}{9}$

- 2.25 The Council's basic tax figure is calculated in respect of Band D. Band A properties therefore pay 6/9 of the basic tax, Band B 7/9 of the basic tax and so on up to Band H where the tax is 18/9 of or twice the tax at Band D.
- 2.26 A calculation of the total number of dwellings net of discounts needs to be made for each of the above bands. This takes into account the number of dwellings on the valuation list as at 30 November 2021, the estimated number of dwellings that are exempt, attract disabled relief or attract discounts and estimated changes in the status of the dwellings during 2022/23.
- 2.27 Appendix 1(a) sets out the formula that must be used to calculate the Council Tax base for each band as required in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. The formula includes adjustments to take into account an assessment of the likely changes in the number of band D equivalent chargeable dwellings during the year along with an adjustment for the number of dwellings expected to be re-banded following appeals against valuation.
- 2.28 The calculation of the tax base is summarised below and detailed in appendix 1(b):

Total of the relevant amounts (Appendix 1(b) line 8)	115,192
Estimated collection rate	96.50%
2022/23 Council Tax Base	111,161

National Non-Domestic Rates Tax Base

- 2.29 From 2013/14 the Council retained a 30% share of the business rates collected locally with 50% being paid to central government, and 20% was paid to the Council's preceptor, the Greater London Authority (GLA). Since that time there have been various changes in distributions, including increasing GLA share to 37% in 2017/18 with corresponding reduction in the central share to 33%. From 2018/19 to 2020/21 Lambeth has been part of the London Business Rates Pool arrangements in preparation for changes to the business rates retention system. For 2022/23

Lambeth's share will be 30%, GLA retaining 37% and Central Government retaining 33%, the same as for 2021/22.

2.30 The NNDR1 statistical return issued by DLUHC is used to report the estimate of the business rate base to the government. NNDR1 will set the estimated business rate base for the following year with any variation between estimate and actual being dealt with through the surplus or deficit on the Collection Fund.

2.31 The NNDR1 return will be authorised by the S151 Officer and inform the Council's preceptors of the Business Rates tax base by 31 January 2022 as required by statute.

3. FINANCE

3.1 The Council Tax base recommended, if approved, will be used in the calculation of the level of Council Tax that will be recommended to Council on 02 March 2022.

4. LEGAL AND DEMOCRACY

4.1 The body of the report contains details of the legislative basis for the calculation of the Council Tax base.

4.2 By virtue of Part IV D (c) of the Council's Constitution Corporate Committee can approve the Council Tax base, and the Business Rates Tax Base on behalf of the Council.

4.3 The council is required to calculate the amount which will be its council tax base for the next financial year by 31 January of the preceding financial year (Section 31B of the Local Government Finance 1992 Act (as amended) and the Local Authorities (Calculation of council tax Base) Regulations 2012). The Localism Act 2011 has made amendments to the 1992 Act.

4.4 The calculation of the council tax base may, but no longer has to, be approved by full council. It may be approved by a council committee or sub-committee, in this case Corporate Committee as set out above by the Executive (Section 84 of the Local Government Act 2003 and Regulation 4(9) to (11) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended))

4.5 There were no further comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

5.1 This report contains technical calculations for the council's tax base for 2022/23 as prescribed by legislation.

6. RISK MANAGEMENT

6.1 The Council Tax base is set using a formula set down in legislation, which is then used to inform financial planning and the budget setting process. No risks specifically arising from this decision have been identified.

7. EQUALITIES IMPACT ASSESSMENT

7.1 The report contains the calculation of the Council Tax base for 2022/23 as prescribed by legislation.

7.2 There is no direct impact on the community as a result of this calculation. The resultant impact on revenue budgets are addressed via the savings proposal and budget setting process.

8. COMMUNITY SAFETY

8.1 None.

9. ORGANISATIONAL IMPLICATIONS

Environmental

9.1 None.

Health

9.2 None.

Corporate Parenting

9.3 None.

Staffing and accommodation

9.4 None.

Responsible Procurement

9.5 None.

10. TIMETABLE FOR IMPLEMENTATION

10.1 These decisions must be taken by Council before 31 January 2022 in order to allow statutory notice to be given to precepting authorities (joint boards with the power to instruct another local authority to collect an amount from Council Tax on its behalf).

AUDIT TRAIL

Name and Position/Title	Lambeth Directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Andrew Wilson	Cabinet Member for Finance and Performance	12.01.22	13.01.22	
Christina Thompson, Director of Finance and Property	Finance and Investment	06.01.22	13.01.22	Throughout
Andrew Pavlou, Principal Lawyer (Governance)	Legal and Governance	24.12.21	05.01.22	Section 4
Chloe Morris, Democratic Services	Legal and Governance	24.12.21	04.01.22	

REPORT HISTORY

Original discussion with Cabinet Member	N/A
Report deadline	14.01.22
Date final report sent	14.01.22
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 Local Government Finance Act 2012 Localism Act 2011 Local Government Finance Act 1992 Local Government Finance Act 1988 Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 Council Tax Support Scheme consultation
Appendices	Appendix 1 – Calculation of the Council Tax Base 2022/23