

LONDON BOROUGH OF NEWHAM

COUNCIL

28 FEBRUARY 2011

Subject: Council Tax 2011/12

Source: Finance

Wards Affected: All

Purpose of Report

This report sets out recommendations for the 2011/12 Council Tax levy by the London Borough of Newham. This report also sets out the recently announced Greater London Authority (GLA) precept to present the overall Council Tax levy for Newham.

The Mayor has made his final budget proposals to Council for 2011/12. He is proposing a Budget Requirement for the Council of £291.448m and a Band D Council Tax of £945.63. This is the third year in succession that a freeze in Council Tax has been proposed.

The GLA precept has also been frozen for the third year in succession at the 2008/09 level of £309.82. This results in an overall Council Tax of £1,255.45 at Band D (a zero percentage increase).

Reason for Urgency

This report was not available at the time of despatch as elements of this report are dependent on the Mayor's budget proposals, the addendum to the Mayor's budget proposals and the GLA precept being finalised.

The Council is under a statutory obligation to set its Council Tax by 11 March in any year. The next meeting of Council does not take place until 19 May 2011.

Recommendations

Council is asked to:

1. Agree the Mayor's proposal that the Newham Council element of Council Tax for 2011/12 be frozen at 2008/09 levels. This results in a Band D level of £945.63, with other bands being as set out in the table over the page.

| | | | |
|-----------|-----------|-----------|-----------|
| A | B | C | D |
| £630.42 | £735.49 | £840.56 | £945.63 |
| E | F | G | H |
| £1,155.77 | £1,365.91 | £1,576.05 | £1,891.26 |

2. Agree the Statutory Resolution to set the overall Council Tax for the London Borough of Newham for 2011/12 as attached in the Appendix to this report.
3. Note that the Greater London Council (GLA) precept for 2011/12 has also been frozen at 2008/09 levels as set out in the report.

Reasons for the Recommendations

The Council is under a statutory obligation to set its Council Tax by 11 March in any year.

The proposed zero increase in Council Tax is an integral part of the Mayor's commitment help residents and businesses through the current challenging economic climate.

Consultation

- Overview and Scrutiny, January 2011.

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POSITION: Executive Director of Resources

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Local Government (Access to Information) Act 1985

Background papers used in preparing this report:

- Final Formula Grant Settlement 2011/12
- Detailed budget papers and calculations
- GLA Budget report
- Full Equalities Impact Assessment for the Council Tax freeze
- Other Equalities Impact Assessment s are available via the Council website (www.newham.gov.uk)

List of enclosures / Appendices:

- Appendix 1 - Statutory Resolution to set the Council Tax

Report

1. Introduction and Background

- 1.1. The Council Tax level for 2011/12 has to be determined by dividing the Council Tax requirement by the Council Tax base.
- 1.2. The Council Tax base is 75,642 equivalent Band 'D' properties net of discounts, exemptions and adjustments and a 3% provision for non-collection of Council Tax.
- 1.3. The Council Tax requirement for 2011/12 consists of 3 elements:
 - Total net General Fund expenditure
 - Precept by Greater London Authority
 - Collection Fund Deficit or Surplus estimated for 31st March 2011
- 1.4. The Appendix "Council Tax. Resolution to set Council Tax 28 February 2011" sets out the formal Council Tax resolution that covers both Newham and Greater London Authority (GLA) requirements. It is accompanied by an explanatory note.

2. Key Considerations and Sustainability

- 2.1. The Council is committed to improving the circumstances of the residents of the borough and to supporting local businesses through the current challenging economic climate. A key element of this support amongst a number of initiatives is the proposal not to increase Council Tax for 2011/12 and this will be the third year in succession that Council Tax has been frozen.

3. Budget Proposals

- 3.1. The table below shows a summary of the Mayor's final budget proposals for 2011/12. The 2010/11 column reflects the budget proposed by the Mayor and approved by the Council in February 2010.

| MAYORS FINAL BUDGET PROPOSAL | 2010/11 Budget | 2011/12 Budget |
|---|---------------------------|---------------------------|
| | £000 | £000 |
| Budget as per the Cabinet Report | 294,524 | 291,448 |
| Less Collection Fund deficit ¹ | -1,512 | 0 |
| | <hr/> | <hr/> |
| | 293,012 | 291,448 |
| Formula Grant | -222,469 | -219,918 |
| | <hr/> | <hr/> |
| Net Council Tax for local services | 70,543 | 71,530 |
| Assumed Tax Base | 74,599 | 75,642 |
| Band D Council Tax | £945.63 | £945.63 |
| Increase in Newham Band D Tax over previous year | 0% | 0% |

¹ The Collection Fund deficit is funded through a specific provision and does not affect the Council's overall budget and Council Tax. However, presentation of the deficit within the Council Tax report is prescribed by regulation.

- 3.2. The Formula Grant Settlement does not include an assumed Council Tax level i.e. the amount the Government would assume that local Councils would levy if spending at their respective Formula Grant settlement figure. Thus it is not possible to compare local taxation decisions with Government assumptions. Members will recall that Newham's Council Tax level has been consistently below Government's assumed levels in previous years.

4. GLA Precept

- 4.1. The Greater London Authority (GLA) has frozen its precept for 2011/12 at the 2008/09 level £309.82 for a Band D property (this figure includes £20 per annum in respect of funding the 2012 Olympic and Paralympic Games). This represents a zero increase. The table below provides background details of the changes to the GLA precept over the last 12 financial years.

| Year | Band D Precept | Annual % Increase | Cumulative % Increase | Precept Amount £000 |
|---------|----------------|-------------------|-----------------------|---------------------|
| 2000/01 | £122.98 | | | 7,805 |
| 2001/02 | £150.88 | 22.69% | 22.69% | 9,955 |
| 2002/03 | £173.88 | 15.24% | 41.39% | 11,734 |
| 2003/04 | £224.40 | 29.10% | 82.47% | 15,435 |
| 2004/05 | £241.33 | 7.54% | 96.24% | 16,485 |
| 2005/06 | £254.62 | 5.50% | 107.04% | 18,134 |
| 2006/07 | £288.61 | 13.35% | 134.68% | 20,591 |
| 2007/08 | £303.88 | 5.30% | 147.10% | 21,771 |
| 2008/09 | £309.82 | 1.95% | 151.93% | 22,564 |
| 2009/10 | £309.82 | 0.00% | 151.93% | 23,190 |
| 2010/11 | £309.82 | 0.00% | 151.93% | 23,112 |
| 2011/12 | £309.82 | 0.00% | 151.93% | 23,435 |

5. Overall Position

- 5.1. The overall position is set out in the table below.

| OVERALL BAND D COUNCIL TAX | 2010/11 | 2011/12 | Increase | Increase |
|----------------------------|------------------|------------------|-------------|-------------|
| | £ | £ | £ | % |
| Newham | 945.63 | 945.63 | 0.00 | 0.00 |
| GLA | <u>309.82</u> | <u>309.82</u> | <u>0.00</u> | <u>0.00</u> |
| TOTAL | £1,255.45 | £1,255.45 | 0.00 | 0.00 |

6. Impact on Council Taxpayers

- 6.1. There are 103,427 "banded" properties (properties within Council Tax records) of which 4,197 are currently exempt from Council Tax. Of the remaining 99,230, 37,084 are in receipt of Council Tax Benefit (CTB). So all things being equal (their income and the CTB "Applicable Amount") any increase in Council Tax would be met through higher CTB, with the claimant not required to pay any more tax. However, if there was any increase in Council Tax then it would be harder for them to come off benefit.

- 6.2. The range of net qualifying income depends on individual circumstances such as the number of adults or children in the household and the amount of Council Tax liability. For example, for a 2 parent family with 3 dependent children the (net) maximum qualifying income is around £22k each year. However where the couple also works and pays for child care, qualifying income would rise to around £31k if they are paying for one child, or £38k each year if they are paying for 2 or more children

7. London Position

- 7.1. In 2010/11 Newham's overall Council Tax was the 9th lowest in London and the lowest of the boroughs funded as outer London. At present all councils are in the final stages of setting their Council Tax for 2011/12 and it is expected that Newham will remain the lowest Council Tax in outer London. Any change to Newham's relative position will be advised at the Council meeting.

8. Risk Management

- 8.1. The main risks associated with the Budget are set out in the accompanying Budget report. The zero Council Tax increase means that there is no risk of intervention (capping) by the Government.

9. Impacts

9.1. Equalities/Diversity implications

- 9.1.1. Council Tax is a tax on property that is then adjusted to reflect the number of adults within that property. People on low incomes are eligible to apply for Council Tax Benefit (CTB). Those in receipt of CTB do not pay any more Council Tax, assuming their income and the regulations governing CTB do not change. Further comment on this is provided within the body of the report.
- 9.1.2. The proposal to freeze Council Tax has been subjected to impact assessments including an Equalities Impact Assessment. Please refer to appendix 3 of the Budget Report for details.

9.2. Protecting Children

- 9.2.1. 'Not applicable'.

9.3. Human Rights

- 9.3.1. There are no direct Human Rights issues arising from this report.

9.4. Climate Change implications and the effect on the Carbon footprint

- 9.4.1. 'Not applicable'.

9.5. Crime and Disorder

- 9.5.1. 'Not applicable'.

10. Comments of the Finance Officer

- 10.1. These are set out in the body of the report and are also presented within the report on the Mayor's final budget proposals. The Council's Chief Financial Officer (the Executive Director of Resources) is satisfied that the proposed Council Tax for 2011/12 is a deliverable element of the Council's Budget Strategy of managing substantial grant loss, external cost pressures and the need to fund local priorities as set out in the Mayor's budget report.

11. Comments of the Legal Officer

- 11.1. The Council is required to ensure that it complies with the provisions of the Local Authorities (Functions and Responsibilities) Regulations 2000 in respect of its arrangements for setting the Council Tax. Those Regulations provide that the calculations required by the relevant provisions of the Local Government Finance Act in respect of the calculation of Council Tax shall be the responsibility of the Council whilst preparation of the estimates of the amounts to be aggregated for the calculation is an executive function. Sections 32 and 43 of the Local Government Finance Act 1992 ("the 1992 Act") set out how a billing authority is to calculate the budget requirements for a financial year. Sections 33 and 44 of the Act set out respectively how such a billing authority is to calculate the basic amount of their Council Tax. The Local Authorities (Alteration of Requisite Calculations) (England) Regulations 2010 have made alterations to the 1992 Act, provisions principally to reflect the changes to the grant arrangements for the financial year commencing 1 April 2011.
- 11.2. The Council is required to fix its Council Tax by the 11 March in any year. The resolution sets out in detail the relevant statutory provisions applicable to each part of the decision that members are required to make. Any resolution not in accordance with the executive's proposals will be subject to the Council's Budget and Policy Framework procedure rules.
- 11.3. **Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are 2 months or more in arrears with their Council Tax must declare this to the meeting and not vote on budget recommendations.**

12. Consultation

- 12.1. The Overview and Scrutiny Committee has a statutory duty to consider and make recommendations on the Mayor's budget proposals. Consultation regarding the Mayor's proposed zero Council Tax increase for 2011/12 was carried out with Overview and Scrutiny during January 2011.
- 12.2. The Overview and Scrutiny Committee is fully supportive of the Mayor's proposed 0% increase in council tax in the 2011/12 financial year.

13. Conclusions

- 13.1. The 2011/12 grant settlement was confirmed in January with the Council suffering the maximum possible loss in funding of 8.8% under the newly devised classification of "Local Spending Power". This equates to a funding reduction of £44m for 2011/12. Details of how this major financial challenge will be met are contained within the Executive Director of Resources "Budget Framework 2011/12

– Mayor’s Final Budget Proposals” report, however the Council is committed to support the residents of the borough through these difficult times and as such is proposing that Newham set its element of the Band D Council Tax at a level of £945.63, a zero increase for the third year in succession.

COUNCIL TAX
Resolution to set Council Tax 28 February 2011

1. That Council agrees the Mayor's final proposals for the 2011/12 Revenue Budget Framework.
2. That it be noted the Executive Director of Resources calculated the amount of 75,642 as the London Borough of Newham's Council Tax base for the year 2011/12 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under section 33(5) of the Local Government Finance Act 1992 (LGF Act 1992)
3. That the following amounts be now calculated by the Council for the year 2011/12 in accordance with sections 32 to 36 of the LGF Act 1992:
 - a) £1,405,340,000 being the aggregate of the amounts which the Council estimates for the items set out in section 32(2) (a) to (e) of the Act.
 - b) £1,113,892,000 being the aggregate of the amounts which the Council estimates for the items set out in section 32(3) (a) to (c) of the Act.
 - c) £291,448,000 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with section 32(4) of the Act, as its budget requirement for the year.
 - d) £219,918,668 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant, additional grant or special grant [increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the Local Government Finance Act 1988 (LGF Act 1988)] (Council Tax Surplus) or [reduced by the amount of the sums which the Council estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the LGF Act 1988] (Council Tax Deficit) and [increased by the amount of any sum which the Council estimates will be transferred from its collection fund to its general fund pursuant to the Collection Fund (Community Charges) directions under section 98(4) of the LGF Act 1988 made on 7th February 1994] (Community Charge Surplus)] or [reduced by the amount of any sum which the Council estimates will be transferred from its general fund to its collection fund pursuant to the Collection Fund (Community Charges) directions under section 98(5) of the LGF Act 1988 made on 7th February 1994] (Community Charge Deficit)] and [increased by the amount which the Council estimates will be its contribution to council tax benefit pursuant to the Collection Fund (Council Tax Benefit) (England) Directions 1999 made on 3rd February 1999]
 - e) £945.63 being the amount at 3(c) above less the amount at 3(d) above, all divided by the amount at 2 above, calculated by the Council, in accordance with section 33(1) of the Act, as the basic amount of its council tax for the year.

f)

| Valuation Bands | | | |
|--------------------|--------------------|--------------------|--------------------|
| Band A 630.42 | Band B 735.49 | Band C 840.56 | Band D 945.63 |
| Band E 1,155.77 | Band F 1,365.91 | Band G 1,576.05 | Band H 1,891.26 |

Being the amounts given by multiplying the amount at 3(e) above by the number which, in the proportion set out in section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 4) That it be noted that for the year 2011/12 in exercise of the powers conferred on him by sections 82,83,85,86,88 to 90, 92 and 93 of the Greater London Authority Act 1999 and sections 40,47 and 48 of the Local Government Finance Act 1992. The Mayor of London issues these precepts for the financial year beginning 1 April 2011 to each billing authority in the Greater London area for each of the categories of the dwellings shown below;

| Valuation Bands | | | |
|------------------|------------------|------------------|------------------|
| Band A 206.55 | Band B 240.97 | Band C 275.40 | Band D 309.82 |
| Band E 378.67 | Band F 447.52 | Band G 516.37 | Band H 619.64 |

- 5) That, having calculated the aggregate in each case of the amounts at 3(f) and 4 above, the Council, in accordance with section 30(2) of the LGF Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2011/12 for each of the categories of dwellings shown below:

| Valuation Bands | | | |
|--------------------|--------------------|--------------------|--------------------|
| Band A 836.97 | Band B 976.46 | Band C 1,115.96 | Band D 1,255.45 |
| Band E 1,534.44 | Band F 1,813.43 | Band G 2,092.42 | Band H 2,510.90 |

COUNCIL TAX RESOLUTION 2011/12

EXPLANATORY NOTE

The Resolution to set Council Tax is in a form recommended for use by all authorities. It goes through the various stages of budget and tax calculation as set out in the Local Government Finance Act 1992. However, as with all such documents the language used is not “user friendly”. A number of explanatory notes are provided below, for each paragraph within the Resolution.

| Ref. | Description | LBN Budget 2011/12 |
|------|--|---|
| 1. | Revenue Budget 2011/12 | As submitted at item 10 of the Council agenda |
| 2. | The Council Tax Base - the amount of money that a £1 Council Tax would raise, after allowing for non-collection. | Council Tax Base is 75,642 after allowing 3.0% non collection. |
| 3a. | The Gross Revenue Expenditure of the Council, including the Housing Revenue Account (HRA) and the Dedicated Schools Budget. This is before the deduction of income, grants etc. (£1,405,340,000) | Sum of £1,405,340,000 comes from analysis of all service’s budgets for 2011/12 |
| 3b. | The Gross Revenue Income of the Council, including any use of reserves, and income in the HRA and the Dedicated Schools Budget (DSB). This excludes income from Council Tax, NNDR (Business Rates) and Revenue Support Grant (RSG). (£1,113,892,000) | Sum of £1,113,892,000 calculated as above. The DSB and HRA income equal expenditure, so that there is no effect on Council Tax. |
| 3c. | The budget proposed by the Mayor less the specific provision for the Collection Fund deficit (3a minus 3b). (£291,448,000) | Expenditure in 3a. £1,405.340m Income in 3b. - <u>£1,113.892m</u> equals Budget Requirement 3c £291.448m |

| | | |
|------------|---|--|
| 3d. | The amount received by the Council for RSG and NNDR. It also includes any Collection Fund surplus/deficit, income arising from reduction in Council Tax discounts for second homes, and any residual Poll Tax amounts. (£219,918,668) | £219.919m |
| 3e. | The amount needed from Council Tax - Net Expenditure less RSG and NNDR. This is then divided by the taxbase to give Newham's own Council Tax at band D. (£945.63) | £291.448m (3c) less £219.918m (3d) equals £71.530m divided by 75,642 (2) equals £945.63 (at band D) |
| 3f. | Newham's Council Tax at all 8 bands (excluding GLA). | £945.63 divided by 9, multiplied by the relevant amount for each band (band A is 6, band B 7 and so on). |
| 4. | The Council Tax levy for the Greater London Authority (GLA) for each Council Tax Band. | £309.82 at band D with other Bands calculated as in 3f above. |
| 5. | The total Council Tax at band D, including LBN and GLA. (£1,255.45) | LBN £945.63 + GLA <u>£309.82</u> Total Council Tax £1,255.45 at band D |