

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 06 January 2020

Subject: **COUNCIL TAX BASE AND COLLECTION RATE 2020-21 AND DELEGATION OF THE BUSINESS RATE ESTIMATE**

Report of: **Cabinet Member for Finance and Commercial Services – Councillor Max Schmid**

1. Summary

This report is a Statutory requirement and contains an estimate of the Council Tax Collection rate and calculates the Council Tax Base for 2020/21. The Council Tax Base will be used in the calculation of the Band D Council Tax undertaken in the Revenue Budget Report for 2020/21.

The proposed Council Tax Base for 2020/21 of 80,495 is an increase of 1,238 on the figure agreed for 2019/20 of 79,257. Based on the 2019/20 Band D charge of £762.02 the increase in the tax base will result in an increased income of £943,381 for Hammersmith and Fulham.

The report also seeks to delegate authority to the Strategic Director of Finance and Governance to determine the business rates tax base for 2020/21.

On 8th October 2019 the Leaders' Committee for London Council's agreed to continue to pool business rates across all 34 London authorities in a pan-London pool in 2020/21, subject to the Mayor for London agreeing to forgo the GLA's share of any net financial benefit. This pool would replace the pilot 75% business rates pool for 2019/20 which no longer has government support. The current indicative benefit for Hammersmith and Fulham from the pool is £0.5m.

2. Recommendations

That Cabinet approves the following recommendations for the financial year 2020/21:

- I. That the estimated numbers of properties for each Valuation Band as set out in this report be approved.
- II. That an estimated Collection rate of 97.5% be approved.

- III. That the Council Tax Base of 80,495 Band “D” equivalent properties be approved
- IV. To delegate authority to the Strategic Director of Finance and Governance in consultation with the Cabinet Member for Finance and Commercial Services, to determine the business rates tax base for 2020/21.
- V. Cabinet will also be required to approve the recommendations in the Council Tax Support Scheme 2020/21 report, prior to the recommendations in this report, as they are reflected as Band “D” equivalents in the Council’s Tax base calculations in section 8 below.
- VI. To confirm that the London Borough of Hammersmith and Fulham wishes to continue in a pan-London business rates pool in 2020/21
- VII. To delegate authority to the Strategic Director of Finance and Governance in consultation with the Cabinet Member for Finance and Commercial Services, to agree the recommendations in this report from 2021/22 in advance of budget setting.

Wards Affected: All

3. H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none"> • Building shared prosperity 	Keeping the Council Tax low helps residents to maintain affordable living costs.
<ul style="list-style-type: none"> • Creating a compassionate council 	We continue to lead on Ethical Debt Collection by working closely with vulnerable residents and not employing Enforcement Agents for the collection of council tax.
<ul style="list-style-type: none"> • Being ruthlessly financially efficient 	The recommendations in this statutory annual report will ensure that the Council continues to maximise income through increasing the premium on long term empty properties to 200% and not granting discounts or exemptions to second homes or unoccupied and unfurnished properties. These recommendations alone generate approx. £1.98m income to the council and contributes to the Council continuing to set one of the lowest Council Tax payable in the

	country.
<ul style="list-style-type: none"> Taking pride in H&F 	The Council's policy on not granting discount's or exemptions on empty or second properties encourages bringing these properties back in to use and creating safer and cleaner communities for residents and contributing to the prevention of homelessness.

4. Financial Impact

Tax Base is set by 31 January each year, as outlined in the Local Government Finance Act 1992. It is used within the overall Council Tax and budget setting process, due to be reported to budget Council on 26th February 2020.

The proposed Council Tax Base for 2020/21 of 80,495 is 1,238 Band D equivalents, higher than the 79,257 agreed for 2019/20. The main reasons for the change are:

Increase in the tax base due to new non-exempt properties	1,125
SPD reduction	154
Reduction in Council Tax Support scheme discounts	289
Other Adjustments to Discounts	- 298
Gross Total Change	1,270
Adjusted for Collection rate of 97.5%	32
Total change	1,238

Based on 2019/20 Council tax levels, the increase in tax base will generate additional income of £0.94m for Hammersmith and Fulham and £0.40m for the Greater London Authority.

The cost of the local council tax support scheme is based on current regulations. No allowance is made for potential government welfare reforms due to uncertainty on what changes might be made. This is treated as a risk within the Medium-Term Financial Strategy.

Prior Year Collection Fund Surplus

The Local Government and Finance Act 1988 requires that all council tax and non-domestic rates income is paid into a Collection Fund, along with payments out regarding the Greater London Authority precept, the business rates retention scheme and a contribution towards a Council's own General Fund. As at the close of 2018/19, due to the receipt of higher than expected income, the Collection Fund was in surplus by £2.583m. The Hammersmith and Fulham share of this

surplus is £1.818m and this will be accounted for in the 2019/20 budget proposals. The balance is payable to the Greater London Authority.
Implications completed /verified by: (Will Stevens/Andy Lord, Finance Business Partner Tel: 020 8753 2531).

5. Legal Implications

The statutory requirement that the Council calculates its Council Tax Base is set out in detail in section 13 below.

Implications verified/completed by: Kevin Beale, Principal Corporate Solicitor

6. Background Papers Used in Preparing This Report

MHCLG Return CTB1 (October 2019)	Jamie Mullins x1650	2ndFloor, Clock Works Building
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7. DETAILED ANALYSIS

Proposals and Analysis of Options

Discounts

7.1 Second Homes

There are some 1944 second homes in the borough. The Council does not offer a discount on second homes which adds 2319 Band "D" equivalents to the tax base for 2020/21. These discounts are included in Section 8 below.

Based upon 2019/20 Council Tax levels, this generates income to the Council of £1.76m. This income is allowed for within the Council's Medium-Term Financial Strategy. Our preceptor, the GLA, also benefits from the reduction in the discount and the increase in income to the Council.

7.2 Empty Properties

There are some 254 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 276 Band "D" equivalents to the tax base for 2020/21

Based upon 2019/20 Council Tax levels, this generates income to the Council of £0.210m. This income also directly benefits the GLA.

7.3 Empty Homes Premium

There are some 125 properties in the borough that have been empty for more than two years. The effect of charging a 200% premium on these properties add an additional 20.5 Band "D" equivalents to the tax base for 2020/21 as compared with 2019/20. These premiums are included in Section 8 below

This equates to additional income for the Council (net of preceptors) of approximately £15k (based on the 2020/21 Band D Council Tax).

7.4 Council Tax Support

Under Council Tax Support, Hammersmith & Fulham and the GLA absorb the full cost of the scheme, which mirrors the previous council tax benefit arrangements.

For 2020/21, the Council has provided for a total of £11.46m in Council Tax Support discounts. This equates to 10,591 band "D" equivalents based on 2019/20 Council Tax levels.

The tax base regulations require the cost of the scheme to be treated as a discount and deducted from the Council's tax base calculation in Section 8.

8. Valuation Band Properties

The latest information on the number of properties within each valuation band is contained within a return (CTB1), which the Council provided to the MHCLG on 11th October 2019.

This return reflected the actual number of properties shown in the Valuation List as at 09th September 2019 and the Council's records as at 07th October 2019.

Band	Band Size	Total Dwellings	Total after Discounts, Premiums, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
A	Values not exceeding £40,000	4,092.0	2939.0	6/9	1,959.3
B	Values exceeding £40,000 but not exceeding £52,000	6,450.0	4,956.8	7/9	3,855.3
C	Values exceeding £52,000 but not exceeding £68,000	14,308.0	12,358.0	8/9	10,984.9
D	Values exceeding £68,000 but not exceeding £88,000	24,999.0	22,425.3	9/9	22,425.3
E	Values exceeding £88,000 but not exceeding £120,000	16,176.0	14,817.3	11/9	18,110.0
F	Values exceeding £120,000 but not exceeding £160,000	9958.0	9222.0	13/9	13,320.7
G	Values exceeding £160,000 but not exceeding	11,408.0	10,766.3	15/9	17,943.8

	£320,000				
H	Values exceeding £320,000	2,621.0	2,537.8	18/9	5,075.5
	Total	90012.0	80023.3		93,674.8

A detailed analysis of the properties in each valuation band can be summarised as follows. There are 90,012 dwellings on the list with some 27,536 properties estimated to receive a single person's discount. The total Band "D" equivalent is approximately 93,674 properties.

9. **Adjustments to the Valuation List**

The above table shows the valuation band position at 09th September 2019, but the Council is also required to consider the Council Tax Support Scheme and any other likely changes during the financial year 2020/21. Therefore, the following adjustments need to be considered:

I. **New Properties**

There are likely to be a number of new properties, conversions etc added to the valuation list at some point during the year. There are approximately 449 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2020/21. It is estimated after allowing for different completion dates that this will equate to an additional 387 Band 'D' equivalents

II. **Banding Appeals**

There have been over 10,000 appeals lodged with the valuation office in respect of initial Council Tax bandings. There are now only a small number unsettled so it is not proposed to make any adjustments for these.

III. **Single Person Discounts**

The council undertakes a review of single person discounts being awarded to taxpayers each year. The current review has commenced in October 2019 and based on previous reviews it is estimated that a further 681 band D equivalent SPD discounts will be removed which will add an additional 170 Band "D" equivalents to the tax base for 2020/21, which will be worth £127,257

IV. **Student Exemptions**

Dwellings wholly occupied by students are exempt from Council Tax. The projected Council Tax base needs to be adjusted to allow for students that have yet to prove their exemption for the new academic

year. It is estimated that an adjustment of 1026 Band “D” equivalents is required.

V. Council Tax Support

The cost of the scheme equates to 10,591 band “D” equivalents, based on 2019/20 Council Tax levels, which are deducted from the tax base for 2020/21. This is less than the deduction of 10,878 Band D equivalents made in 2019/20. This is due to a reduction in the number of claimants applying for a discount.

VI. Care Leavers

For 2019/20, the council has provided discounts for care leavers up to the age of 25. This equates to 54 band D equivalents based on 2019/20 council tax levels. The cost of this discount is fully funded by the council and needs to be deducted from the council’s tax base calculation below.

The Council is required to set its Tax Base on the total of the relevant amounts for the year for each of the valuation bands shown or is likely to be shown for any day in the year in the authority’s valuation list.

Taking into account the latest information from the CTB1 return to the MHCLG and the proposed adjustments, The Council is requested to approve the estimated numbers of properties for each valuation band as set out in the following table:

Band	Band “D” Equivalent Actual September	Adjustments for New Properties	Adjustments for Student Exemptions	SPD	Adjustments for Council Tax Support Scheme	Care Leavers	Revised Band “D” Equivalents
A	1,959.3	0	-18	5	-737	-11	1198.3
B	3,855.3	197	-37	11	-1379	-16	2631.3
C	10,984.9	68	-136	24	-2719	-13	8208.9
D	22,425.3	105	-290	54	-3206	-11	19077.3
E	18,110.0	13	-266	37	-1629	-1	16264
F	13,320.7	3	-173	16	-599	0	12567.7
G	17,943.8	0	-100	20	-317	-2	17544.8
H	5,075.5	0	-6	3	-5	0	5067.5
Total	93,674.8	386	-1026	170	-10,591	-54	82559.8

10. **Collection Rate**

The Council is also required to estimate its Collection Rate for 2020/21 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2020/21, the Council should take into account the likely sum to be collected, previous collection experience and any other relevant factors.

The actual sum to be collected from local council taxpayers cannot be finally determined until the preceptor's requirements are known and the Council has approved its budget. The Council therefore has to make an estimate of the sums to be collected locally making estimated allowance for sums from Council Tax Support and write-offs/non-collection.

The actual collection rate for 2019/20 achieved to the end of October 2019 is 65.02%, comprising cash collection of £57.3m and Council Tax Support of £11.1m. It is estimated that a further £26.2m (32.0%) will need to be collected by 31 March 2020 and £0.43m (0.5%) thereafter.

Collection performance has been calculated in order to comply with MHCLG performance indicator calculations. Latest calculations for 2018/19 and 2019/20 show that the current collection rate can be continued for 2020/21. It is therefore suggested that the collection rate for 2020/21 is maintained at 97.5%.

The Council continues to work with Intrum, it's Ethical Joint Venture partner, to explores methods of recovery of outstanding debts as we no longer use Enforcement Agents for the collection of council tax

11. **The Tax Base**

Under Section 33(1) of the Local Government Finance Act 1992 and the Regulations, the Council's tax base is calculated by multiplying the estimated number of Band "D" equivalents by the estimated collection rate.

Based on the number of Band "D" equivalents in the table in paragraph 9. above and the estimated collection rate in paragraph 10. above, the calculation is as follows:

(Band D equivalents) x (Collection Rate) = (Tax Base)				
82,559	x	97.5%	=	80,495

12. **Business Rates Tax base**

The Local Government Finance Act 2012 made it obligatory for authorities to formally calculate the estimated level of business rates (the business rates tax base) it anticipates collecting for the

forthcoming financial year and passing this information to precepting authorities by 31 January. The Government will continue to set the tax rate (known as the non-domestic multiplier).

The tax base is based on data from the Valuation Office with local allowance for the appropriate level of business rates appeals, any discretionary reliefs and any forecast growth. This information is pulled together into a government return (NNDR1). The detailed guidance on completing the NNDR1 is not likely to be issued until just before Christmas. This guidance will include allowance for any changes to the business rates system that may be announced by the Chancellor post-election. Given that the return must be submitted by 31 January, it is recommended that the responsibility for setting these figures be delegated to the Strategic Director Finance and Governance in consultation with the Cabinet Member for Finance and Commercial Services.

The business rates system will change for a fourth successive year. A rates revaluation in 2017/18 was followed by a pilot 100% rates retention scheme (for any growth in business) for London in 2018/19 and a 75% retention pilot in 2019/20. The government have announced that they will not support a retention pilot in 2020/21 but London local government is working towards taking forward it's own pan-London pool. Indicative estimates are that this will benefit Hammersmith and Fulham by £0.5m (and London overall by £23m). This compares to the estimated benefit of £1.9m in 2019/20. Confirmation is required that Hammersmith and Fulham wish to participate in the new pan London pool.

13. Reasons for Decision

Under Section 33(1) of the Local Government Finance Act 1992 and The Local Authorities (Calculations of Council Tax Base) (England) Regulations 2012, the Council (as billing authority) is required to calculate its Council Tax Base. This comprises both the estimated numbers of properties within each Valuation band plus the Council's estimate of its collection rate for the coming financial year.

Under Section 11A of the Local Government Finance Act 1992, Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 and Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 the Council reduced discounts for both Second Homes and Unoccupied and Unfurnished dwellings to 0% with effect from 2013/14, this remains in place

Under Section 11B of the Local Government Finance Act 2012 the Council introduced the Council Tax Empty Homes Premium with effect from 1 April 2014, this remains in place. This increased the charge on dwellings that have been unoccupied and substantially unfurnished by

an additional 50% of the council tax that would be payable if the dwelling were occupied by two adults and no discounts were applicable. The premium increased to 100% from 01/04/2019 and from the 01/04/2020, the premium will increase to 200% for dwellings which have remained unoccupied and substantially unfurnished for over five years.

14. Equality Implications

- 14.1 There are no anticipated negative implications for groups with protected characteristics, under the Equality Act 2010, by the approval of these proposals.

Implications completed by: Fawad Bhatti, Public Services Reform, tel. 07500 103617.

15. Risk Management Implications

- 15.1 The report considers the implications required by the Council to meet its obligations under the Local Government Finance Act 2012 which made it obligatory for authorities to formally calculate the estimated level of business rates (the business rates tax base) it anticipates collecting for the forthcoming financial year and passing this information to precepting authorities by 31 January. The Council is also required to estimate its Collection Rate for 2020/21 at the same time as arriving at the estimated number of properties within the Tax Base. The Council is required under Section 33(1) of the Local Government Finance Act 1992 and The Local Authorities (Calculations of Council Tax Base) (England) Regulations 2012, the Council (as billing authority) to calculate its Council Tax Base. The proposals therefore are compliant with statutory duties and are provided in accordance with management of corporate risk 7 on the Corporate risk register.

Implications verified by: Michael Sloniowski Risk Manager, tel: 020 8753 2587 mobile: 07768 252703

List of Appendices: None