

## London Borough of Hammersmith & Fulham

**Report to:** Cabinet

**Date:** 04/01/2021

**Subject:** Council Tax Base and Collection Rate 2021-22 and Delegation of the Business Rate Estimate

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

**Report author:** Jamie Mullins - Head of Revenues

**Responsible Director:** Emily Hill - Director of Finance

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### Summary

This report is a Statutory requirement and contains an estimate of the Council Tax collection rate and calculates the Council Tax Base for 2021/22. The Council Tax Base will be used in the calculation of the Band D Council Tax undertaken in the Revenue Budget Report for 2021/22.

The proposed Council Tax Base for 2021/22 of 80,930 is an increase of 435 on the figure agreed for 2020/21 of 80,495. Based on the 2020/21 Band D charge of £792.42 the increase in the tax base will result in an increased income of £344,000 for Hammersmith and Fulham.

For 2020/21 council tax income has been adversely impacted by the Covid-19 pandemic. An estimated in-year loss of £6m is currently forecast (of which the council share is £4.228m). The government have announced that this loss (collection fund deficit) can be spread over 3 years from 2021/22 onwards and the recent Spending Review further announced that 75% of these irrecoverable losses will be funded by government.

The report also seeks to delegate authority to the Director of Finance to determine the business rates tax base for 2021/22. The Council has benefited from membership of the pan London business rates pool. It is proposed, subject to a review of updated modelling, that participation continues in 2021/22,

The tax base forecast is subject to significant risk and uncertainty due to the unknown future impact of the Covid-19 pandemic. The current forecast will continue to be reviewed, and updated if necessary, prior to agreement by Full Council on 20 January 2021.

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## Recommendations

That Cabinet approves the following recommendations to Full Council for the financial year 2021/22:

1. That the estimated numbers of properties for each Valuation Band as set out in this report be approved.
2. That an estimated collection rate of 97.0% be approved.
3. That the Council Tax Base of 80,930 Band “D” equivalent properties be approved.
4. To delegate authority to the Director of Finance in consultation with the Cabinet Member for Finance and Commercial Services, to determine the business rates tax base for 2021/22.
5. To note the provisional in-year 2020/21 council tax collection fund deficit of £6m and that the estimate will continue to be reviewed. The overall deficit, taking account of prior years, is estimated at £5.550m.
6. To confirm, subject to confirmation of an estimated financial benefit, that the London Borough of Hammersmith and Fulham wishes to continue in a pan-London business rates pool in 2021/22.

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**Wards Affected:** ALL

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	Keeping the Council Tax low helps residents to maintain affordable living costs.
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.
Being ruthlessly financially efficient	The recommendations in this statutory annual report will ensure that the Council continues to charge the premium on long term empty properties and not grant discounts or exemptions to second homes or unoccupied and unfurnished properties. These generate additional income

	and contributes to one of the lowest Council Tax in the country.
Taking pride in H&F	The Council's policy on not granting discounts 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.

## Financial Impact

### Council Tax Base

The Local Government Finance Act 1992 requires that the council set the tax base by 31 January each year. It is used within the overall council tax and budget setting process, due to be reported to budget council on 24 February 2021.

The proposed Council Tax Base for 2021/22 of 80,930 is 435 Band D equivalents, higher than the 80,495 agreed for 2020/21. The increase in the tax base will generate additional income, using 2020/21 council tax charges, of £344,000 for Hammersmith and Fulham and £144,400 for the Greater London Authority.

The main reasons for the tax base change are:

	Band D Equivalents
An increase in the tax-base due to new non-exempt properties	1,074
An allowance for new properties added in-year	425
A forecast reduction in the number of single persons discounts	167
Allowance for an increase in the number of local council tax support scheme discounts	-885
Changes to other exemptions	70
Reduction in the forecast collection rate from 97.5% to 97%	-416
<b>Increase in the 2021/22 tax base</b>	<b>435</b>

Local authority finances are facing unprecedented financial risk and uncertainty due to the impact of the Covid-19 pandemic. For council tax, the latest London wide survey has shown a reduction in collection rates, from October 2019 to October 2020 of between 0.5% and 5.9%. In London the council tax support scheme caseload has also increased on average by 9.1% since 2019/20. The survey figures are in line with the Hammersmith and Fulham experience, with a £6m income shortfall currently forecast for 2020/21.

The current Covid-19 uncertainty is likely to continue in 2021/22 with council tax income adversely impacted. For the purposes of setting the tax base a reduction in the collection rate from 97.5% to 97% is assumed and an increase of 885 band D equivalent discounts made through the local council tax support scheme. This

increase in the number of discounts is based on trend data and represents a potential income loss to Hammersmith and Fulham of £701,000.

### **Prior Year Collection Fund Deficit**

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 2019/20 the council had a net surplus on the collection fund, after allowance for sums already taken account of within the 2020/21 budget process, of £0.450m (of which the Hammersmith and Fulham share is £0.317m).

Due to the impact of the Covid-19 pandemic, the latest estimate is that there will be an in-year 2020/21 council tax income deficit of £6m, of which the Hammersmith and Fulham share is £4.228m. The overall forecast net deficit (taking account of the surplus brought forward at the end of 2019/20) is £5.550m of which the Hammersmith and Fulham share is £3.911m.

Under new government regulations this deficit can be spread over 3 years from 2021/22 onwards and this will be taken account within the future budget strategy. Furthermore, the recent Spending Review further announced that 75% of these irrecoverable losses will be funded by government. The current forecast is subject to significant flux and will be reviewed before final agreement of the tax base report by Full Council on 20 January.

### **Business Rates**

The business rates tax base forecast is subject to great uncertainty. For 2020/21 total reliefs of £155m, most of which relate to Covid-19, are currently estimated as receivable. It is not known if these reliefs will continue in 2021/22 or how the economic fall-out from Covid-19 will impact on the business rates tax base. As more information becomes available the forecast will be updated with final approval to determine the business rates tax base for 2021/22 delegated to the Director of Finance, in consultation with the Cabinet Member for Finance and Commercial Services.

The Council currently participates in the pan-London business rates pool. The pool currently benefits boroughs by enabling more business rates growth to be retained within London. The latest estimated pool benefit for Hammersmith and Fulham is £580,000 for 2020/21. Subject to an update of the 2021/22 forecast, and a continuation of expected future benefits, it is proposed that Hammersmith and Fulham express a wish to continue in the pool in 2021/22.

### **Legal Implications**

The Council has a statutory duty to set the Council Tax each year and this report is part of this process.

The relevant regulations and legislation together with the legal basis for agreeing the recommendations relating to the council tax base are found under section 31B of the Local Government Finance Act 1992 which imposes a duty on a billing authority to calculate its council tax by applying a formula laid down in that section. This relies on calculating a figure for the council tax base for the year. The Local Authority (Calculation of Council Tax Base) (England) Regulations 2012 require a billing authority to use a given formula to calculate the council tax base. The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, as amended in 2012 and Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 address the position of second and unoccupied homes.

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## **Background Papers Used in Preparing This Report**

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MHCLG Return CTB1  
(October 2020)

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## **DETAILED ANALYSIS**

### **Discounts**

#### **Second Homes**

There are some 2,321 second homes in the borough. The Council does not offer a discount on second homes which adds 2,734 Band "D" equivalents to the tax base for 2021/22.

Based upon 2020/21 Council Tax levels, this generates income to the Council of £2.17m. This income is allowed for within the Council's Medium-Term Financial

Strategy. Our preceptor, the Greater London Authority (GLA), also benefits from the reduction in the discount and the increase in income to the Council.

### Empty Properties

There are some 323 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 409 Band "D" equivalents to the tax base for 2021/22

Based upon 2020/21 Council Tax levels, this generates income to the Council of £324,000. This income also directly benefits the GLA.

### 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 2021/22, the Council has provided for a total of £12.9m (including the GLA precept) in Council Tax Support discounts. This equates to 11,476 Band "D" equivalents based on 2020/21 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 below.

### 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 14th October 2020.

This return reflected the actual number of properties shown in the Valuation List as of 15th September 2020, and the Council's records as of 5th October 2020.

Band	Band Size	Total Dwellings	Total after Discounts, Premiums, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
A	Values not exceeding £40,000	4,098.0	2,975.5	6/9	1,983.7
B	Values exceeding £40,000 but not exceeding £52,000	6,648.0	4,985.0	7/9	3,877.2
C	Values exceeding £52,000 but not exceeding £68,000	14,337.0	12,501.0	8/9	11,112.0
D	Values exceeding £68,000 but not exceeding £88,000	25,120.0	22,596.8	9/9	22,596.8
E	Values exceeding £88,000 but not exceeding £120,000	16,427.0	15,056.8	11/9	18,402.7
F	Values exceeding £120,000 but not exceeding £160,000	10,243.0	9,505.3	13/9	13,729.8

G	Values exceeding £160,000 but not exceeding £320,000	11,662.0	10,987.0	15/9	18,311.7
H	Values exceeding £320,000	2,731.0	2,645.8	18/9	5,291.5
	Total	91,266.0	81,254.0		95,306.0

A detailed analysis of the properties in each valuation band can be summarised as follows. There are 91,266 dwellings on the list with some 27,506 properties estimated to receive a single person's discount.

The total Band "D" equivalent is approximately 95,306 properties.

### **Adjustments to the Valuation List**

The above table shows the valuation band position on 15th September 2020, but the Council is also required to consider the Council Tax Support Scheme and any other likely changes during the financial year 2021/22.

Therefore, the following adjustments need to be considered:

### **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 283 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2021/22. It is estimated after allowing for different completion dates that this will equate to an additional 424 Band 'D' equivalents.

### **Single Person Discounts**

The Council undertakes a regular review of single person discounts being awarded to taxpayers. The next review will take place in June 2021 and based on previous reviews; it is estimated that a further 670 band D equivalent SPD discounts will be removed which will add an additional 167 Band "D" equivalents to the tax base for 2021/22. This will benefit the council by an estimated £127,740

### **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 930 Band "D" equivalents is required.

### **Council Tax Support**

The cost of the scheme equates to 11,476 band "D" equivalents, based on 2020/21 Council Tax levels, which are deducted from the tax base for 2021/22. This is more than the deduction of 10,591 Band D equivalents made in 2020/21. This is due to an estimated increase in the number of claimants applying for a discount since the Covid-19 pandemic began.

## Care Leavers

For 2020/21, the Council has provided discounts for care leavers up to the age of 25. This equates to 58 band D equivalents based on 2020/21 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	1,983.7	0	-21	0	-791	-13	1,158.7
B	3,877.2	-16	-30	0	-1,508	-17	2,306.2
C	11,112.0	-68	-90	0	-2,936	-15	8,003
D	22,596.8	56	-250	0	-3,486	-9	18,907.8
E	18,402.7	176	-262	0	-1,760	-2	16,554.7
F	13,729.8	160	-168	0	-644	0	13,077.8
G	18,311.7	117	-105	0	-342	-2	17,979.7
H	5,291.5	0	-4	0	-9	0	5,278.5
Total	95,305.4	425	-930	0	-11,476	-58	83,266.4
				167 SPD Review Target for 2021/22			167  Revised Total 83433.4

## Collection Rate

The Council is also required to estimate its Collection Rate for 2021/22 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2021/22, 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 must 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 2020/21 achieved to the end of October 2020 is 59.15%, comprising cash collection of £55.1m and Council Tax Support

of £11.4m. It is estimated that a further £35.5m (37.85%) will need to be collected by 31 March 2021 and £0.47m (0.5%) thereafter.

Collection performance has been calculated in order to comply with MHCLG performance indicator calculations. Latest calculations for 2019/20 and 2020/21 show that the current collection rate needs to be adjusted for 2021/22. It is therefore, suggested that the collection rate for 2021/22 is set at 97%. This is lower than the collection rate of 97.5% for 2020/21 due to the uncertainty of the continued impact of Covid-19.

### **The Tax Base**

Under Section 31(B) 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)

83,433 x 97.0% = 80,930

### **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 relating to the impact of COVID-19. Given that the return must be submitted by 31 January, it is recommended that the responsibility for setting these figures be delegated to the Director of Finance in consultation with the Cabinet Member for Finance and Commercial Services.

### **Reasons for Decision**

Under Section 31(B) 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 increased to 200% for dwellings which have remained unoccupied and substantially unfurnished for over five years.

### **Equality Implications**

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

Implications verified by: Fawad Bhatti, tel. 07500 103617.

### **Risk Management Implications**

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 are compliant with statutory duties and are provided in accordance with management of standing risk to manage the Council's finances.

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