


<p>London Borough of Hammersmith & Fulham</p> <p>FULL COUNCIL</p> <p>23 JANUARY 2019</p>		
<p>COUNCIL TAX BASE AND COLLECTION RATE 2019-20 AND DELEGATION OF THE BUSINESS RATE ESTIMATE</p>		
<p>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>		
<p>Open Report</p>		
<p>Classification: For Decision Key Decision: Yes</p>		
<p>Consultation Not applicable</p>		
<p>Wards Affected: All</p>		
<p>Accountable Director: Hitesh Jolapara, Strategic Director of Finance and Governance</p>		
<p>Report Author: Jamie Mullins Head of Recovery</p>		<p>Contact Details: Tel: 020 8753 1650 E-mail: Jamie.Mullins@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report is a Statutory requirement and contains an estimate of the Council Tax Collection rate and calculates the Council Tax Base for 2019/20.
- 1.2 The Council Tax base will be used in the calculation of the Band D Council Tax undertaken in the Revenue Budget Report for 2019/20.
- 1.3 The proposed Council Tax Base for 2019/20 of 79257 is an increase of 1403 on the figure agreed for 2018/19 of 77856.
- 1.4 Based on the 2018/19 Band D charge of £727.81 the increase in the tax base will result in an increased income of £1.02m for Hammersmith and Fulham.
- 1.5 The recommendations contained in the Council Tax Support 2019/20 will need to be approved prior to those contained in this report. This is because

they are included in the calculation of the Band D Council Tax in section 4 below.

- 1.6 The Autumn budget 2017 announced that Local Authorities will be able to charge a 100% council tax premium on properties which have been empty for over 2 years equating to 200% of the council tax payable in 2019/20 and this will rise to a 200% premium from April 2020 for properties empty over 5 years and 300% from April 2021 for properties empty over 10 years.
- 1.7 This will raise an additional estimated income of £43k in 2019/20 and legislation has now been passed which allows the premium to be charged from the 1st April 2019.
- 1.8 The report also seeks to delegate authority to the Strategic Director of Finance and Governance to determine the business rates tax base for 2019/20.

2. RECOMMENDATIONS

- 2.1 That the Full Council approves the following recommendations for the financial year 2019/20:
 1. That the Council charge a 100% council tax premium on empty properties equating to 200% of the council tax payable from the 1st April 2019 and agree to include the full subsequent increases in the premium in each future year.
 2. That the estimated numbers of properties for each Valuation Band as set out in this report be approved.
 3. That an estimated Collection rate of 97.5% be approved.
 4. That the Council Tax Base of 79,257 Band "D" equivalent properties be approved
 5. 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 2019/20.
 6. Council will also be required to approve the recommendations in the Council Tax Support Scheme 2019/20 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 4.5 below.

3. REASONS FOR DECISION

- 3.1 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.

- 3.2 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
- 3.3 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 increases the charge on dwellings that have been unoccupied and substantially unfurnished for more than two years to 150% of the council tax that would be payable if the dwelling were occupied by two adults and no discounts were applicable.
- 3.4 The Autumn Budget 2017 announced that Local Authorities will be able to increase the Council Tax Empty Homes Premium charge to 100% which equates to 200% of the council tax payable. Legislation has now been passed which allows the premium to be charged from the 1st April 2019.

4. PROPOSAL AND ISSUES

4.1 DISCOUNTS

4.1.1 Second Homes

- 4.1.1.1 There are some 2110 second homes in the borough. The Council does not offer a discount on second homes which adds 2493 Band "D" equivalents to the tax base for 2019/20. These discounts are included in Section 4.4 below.
- 4.1.1.2 Based upon 2018/19 Council Tax levels this generates income to the Council of £1.81m. 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.

4.1.2 Empty Properties

- 4.1.2.1 There are some 269 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 318 Band "D" equivalents to the tax base for 2019/20.
- 4.1.2.2 Based upon 2018/19 Council Tax levels this generates income to the Council of £231k. This income also directly benefits the GLA.

4.2 EMPTY HOMES PREMIUM

- 4.2.1 There are some **102** properties in the borough that have been empty for more than two years. The effect of charging a 50% premium on these properties adds an additional 60 Band "D" equivalents to the tax base for 2019/20. These premiums are included in Section 4.4 below
- 4.2.2 This equates to additional income for the Council (net of preceptors) of approximately £43k (based on the 2018/19 Band D Council Tax). As set out in the recommendations, it is proposed that the premium be doubled to 100%. This would raise an estimated extra £43k and these additional Band D equivalents have been added to the tax base for 2019/20.

4.3 COUNCIL TAX SUPPORT

- 4.3.1 Under Council Tax Support, Hammersmith & Fulham and the GLA absorb the full cost of the scheme, which mirrors the previous council tax benefit arrangements.
- 4.3.2 For 2019/20 the Council has provided for a total of £11.1m in Council Tax Support discounts. This equates to 10,878 band "D" equivalents based on 2018/19 Council Tax levels.
- 4.3.3 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 4.5.

4.4. VALUATION BAND PROPERTIES

- 4.4.1 The latest information on the number of properties within each valuation band is contained within a return (CTB1), which the Council provided to the DCLG on 12 October 2018.
- 4.4.2 This return reflected the actual number of properties shown in the Valuation List as at 10 September 2018 and the Council's records as at 1 October 2018.
- 4.4.3 A detailed analysis of the properties in each valuation band can be summarised as follows. There are a total of 88741 dwellings on the list with some 28161 properties estimated to receive a single person's discount. The total Band "D" equivalent is approximately 92015 properties.

Band	Band Size	Total Dwellings	Total after Discounts, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
A	Values not exceeding £40,000	3,827.0	2,950.0	6/9	1,966.7
B	Values exceeding £40,000 but not exceeding £52,000	6,415.0	4,899.8	7/9	3,810.9
C	Values exceeding £52,000 but not exceeding £68,000	14,251.0	12,211.8	8/9	10,854.9
D	Values exceeding £68,000 but not exceeding £88,000	24,844.0	22,148.5	9/9	22,148.5
E	Values exceeding £88,000 but not exceeding £120,000	15,995.0	14,600.5	11/9	17,845.1
F	Values exceeding £120,000 but not exceeding £160,000	9722.0	8,973.5	13/9	12,961.7
G	Values exceeding £160,000 but not exceeding £320,000	11,195.0	10,561.5	15/9	17,602.5
H	Values exceeding £320,000	2,492.0	2,412.5	18/9	4,825.0
	Total	88741.0	78758.0		92015.3

4.5. ADJUSTMENTS TO THE VALUATION LIST

4.5.1 The above table shows the valuation band position at 10 September 2018 but the Council is also required to take into account the Council Tax Support Scheme and any other likely changes during the financial year 2019/20. 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 314 units currently under construction

on various sites in the Borough that will be added to the tax base sometime during 2019/20. It is estimated after allowing for different completion dates that this will equate to an additional 306 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 will commence in November 2018 and based on previous reviews it is estimated that a further 2,400 discounts will be removed which will add an additional 622 Band "D" equivalents to the tax base for 2019/20.

(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 758 Band "D" equivalents is required.

(v) Council Tax Support

The cost of the scheme equates to 10,878 band "D" equivalents, based on 2018/19 Council Tax levels, which now have to be deducted from the tax base for 2019/20. This is less than the deduction of 11,193 Band D equivalents made in 2018/19. This is due to a reduction in the number of claimants applying for a discount.

(vi) Care Leavers

For 2018/19, the council has provided £14k in discounts for care leavers up to the age of 25. This equates to 20 band D equivalents based on 2018/19 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 in section 4.5.3

4.5.2 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.

4.5.3 Taking into account the latest information from the CTB1 return to the DCLG and the proposed adjustments, 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	1,966.7	0	-19	26	-500	-8	1,465.6
B	3,810.9	174	-20	51	-1114	-8	2,893.5
C	10,854.9	1	-89	122	-2529	-5	8,355.3
D	22,148.5	83	-253	190	-3319	-4	18,845.5
E	17,845.1	24	-198	107	-2026	0	15,752.3
F	12,961.7	12	-111	58	-900	0	12,021.2
G	17,602.5	2	-65	60	-476	0	17,123.5
H	4,825.0	18	-2	8	-16	0	4,833.0
	92015.3	314	-757	622	-10,879	-25	81,290.3

4.6 COLLECTION RATE

- 4.6.1 The Council is also required to estimate its Collection Rate for 2019/20 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2019/20, the Council should take into account the likely sum to be collected, previous collection experience and any other relevant factors.
- 4.6.2 The actual sum to be collected from local Council Tax payers 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.
- 4.6.3 The actual collection rate for 2018/19 achieved to the end of October 2018 is 65.11%, comprising cash collection of £52.7m and Council Tax Support of £11.1m. It is estimated that a further £27.3m (31.89%) will need to be collected by 31 March 2019 and £0.4m (0.5%) thereafter.
- 4.6.4 Collection performance has been calculated in order to comply with DCLG performance indicator calculations. Latest calculations for 2017/18 and 2018/19 show that the current collection rate can be continued for 2019/20. It is therefore suggested that the collection rate for 2019/20 is maintained at 97.5%.
- 4.6.5 There is currently a Council Tax Pilot scheme in operation with Intrum, the Council's Ethical Joint Venture partner. The outcome of the pilot will shape future years collection policies as we no longer use Enforcement Agents for the collection of council tax.

4.7. THE TAX BASE

- 4.7.1 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.
- 4.7.2 Based on the number of Band "D" equivalents in the table in paragraph 4.5.3 above and the estimated collection rate in paragraph 4.6.4 above, the calculation is as follows:

(Band D equivalents) x (Collection Rate) = (Tax Base)				
81,290	x	97.5%	=	79257

4.8 BUSINESS RATES TAXBASE

- 4.8.1 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).
- 4.8.2 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 were announced by the Chancellor in the Autumn Budget. Given that the return has to 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.
- 4.8.3 The Chancellor has announced some amendments in the Autumn Budget with the main change being a one third discount on Business rates for retail properties with a rateable value below £51k for 2 years from the 1st April 2019. We are currently awaiting full guidance on how this will be implemented and whether software will need to be updated.

5. CONSULTATION

- 5.1. Final decision must be made by Full Cabinet.

6. EQUALITY IMPLICATIONS

- 6.1 It is not anticipated that there will be any negative impacts on any groups with protected characteristics, under the terms of the Equality Act 2010, from the approval of this report's recommendations.
- 6.2 Implications completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

7. LEGAL IMPLICATIONS

- 7.1 The tax base calculations for a particular financial year must comply with the Local Authorities (Calculation of Council Tax Base) Regulations 2012, and be

determined by no later than 31st January in the preceding financial year. These regulations have been made under the Local Government Finance Act 1992, as amended (LGFA 1992).

- 7.2 The Local Government Finance Act 2012 (LGFA 2012) includes a number of amendments to the LGFA 1992 that affect the calculation of the Council Tax base. These amendments require councils to operate a Council Tax Support Scheme (as a replacement of Council Tax benefit) and gave powers to determine further discounts and set premiums.

- 7.3 Implications verified/completed by: Rhian Davies, Assistant Director of Legal and Democratic Services, tel 020 8753 2729.

8. FINANCIAL IMPLICATIONS

- 8.1 The 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 27th February 2019.

- 8.2 The proposed Council Tax Base for 2019/20 of 79,257 is 1,403 Band D equivalents, higher than the 77,856 agreed for 2018/19. The main reasons for the change are:

Increase in the tax base due to new non-exempt properties	652
Single Persons Discount Reduction	622
Reduction in Council Tax Support scheme discounts	315
Other adjustments to Discounts	- 212
Gross Total Change	1,377
Adjusted for Collection rate of 97.5%	- 34
Adjusted for Empty Rate Premium	60
Total change	1,403

- 8.3 Based on 2018/19 Council tax levels, the increase in tax base will generate additional income of £0.98m for Hammersmith and Fulham and £0.40m for the Greater London Authority.

- 8.4 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.

- 8.5 The treatment of business rates income within the Local Government Finance System is uncertain. A 100% business rate retention pilot was established for London in 2018/19. It is not clear if this will continue in 2019/20 or if alternative arrangements will be introduced by the Government. Councils in the rest of England have been invited to pilot a 75% scheme by Ministry of Housing, Communities and Local Government. However within the invitation it

is noted that the government will continue to have separate discussions with London about their pilot programme. The position should be clearer after the Local Government Finance System is published in December.

- 8.6 Implications verified/completed by Emily Hill, Asst Director Corporate Finance, tel. 020 8753 3145.

9. IMPLICATIONS FOR LOCAL BUSINESS

- 9.1 No negative impact on local businesses is anticipated. An area which is of interest is business rates and how the income is treated within the Local Government Finance system.
- 9.2 Implications verified by Albena Karameros, Economic Development Learning & Skills, tel:020 7938 8583.

10. RISK MANAGEMENT

- 10.1 The calculation of the tax base is a legal requirement and an essential part of the tax setting process which helps to achieve the council's corporate objective of effectively managing its resources and is in accordance with management of our legal duties as noted on the Corporate Risk Register.
- 10.2 Implications verified by: Michael Sloniowski Risk Manager, tel: 020 8753 2587 mobile 07768 252703

11. IT IMPLICATIONS

- 11.1 IT Implications: It is recommended that the information contained within this report be shared with the H&F Business Intelligence Team. This will allow for the intelligent use and analysis of data to inform and develop service provision across the Council.
- 11.2 IM Implications: In reference to 11.1 above, if sensitive information is to be processed on behalf of H&F, a Privacy Impact Assessment will need to be completed to ensure all potential data protection risks are properly assessed with mitigating actions agreed and implemented - in line with GDPR requirements.
- 11.3 Implications verified/completed by: Karen Barry, Strategic Relationship, Manager, tel. 0208 753 3481.

12. COMMERCIAL IMPLICATIONS

- 12.1 There are no procurement implications associated with the recommendations contained in this report.
- 12.2 Implications verified/completed by Joanna Angelides, Procurement Consultant, tel. 0208 753 2586 on behalf of Simon Davis, Assistant Director Commercial Management.

13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None.

LIST OF APPENDICES:

None.