

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 10/01/2022

Subject: Council Tax Base and Collection Rate 2022/23 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

SUMMARY

This report is a statutory requirement that sets the council tax base for the purposes of the 2022/23 revenue budget.

The proposed 2022/23 council tax base is 82,263. This is an increase of 1,333 on the figure agreed for 2021/22 and will result in an increased income, based on the 2021/22 Band D council tax charge, of £1,109,002 for Hammersmith & Fulham.

The report also delegates authority to the Director of Finance to determine the business rates tax base for 2022/23.

RECOMMENDATIONS

1. Cabinet recommend this report to full council

That full council approve for the financial year 2022/23 -

2. The estimated numbers of properties for each Valuation Band as set out in this report.
 3. An estimated collection rate of 97.0%.
 4. The Council Tax Base of **82,263** Band "D" equivalent properties.
 5. The delegation of authority to the Director of Finance to determine the business rates tax base for 2022/23.
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Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	Keeping the Council Tax low and providing council tax support help 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 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 rates 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 2022.

The proposed Council Tax Base for 2022/23 of 82,263 is 1,333 Band D equivalents, higher than the 80,930 agreed for 2021/22. The increase in the tax base will generate additional income, using 2021/22 council tax charges, of £1,109,002 for Hammersmith & Fulham and £484,758 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	11
An allowance for new properties added in-year	275
A forecast reduction in the number of single persons discounts	143

Reduction in the number of local council tax support scheme discounts	671
Reduction in student and other discounts	233
Increase in the 2022/23 tax base	1,333

Local authority finances have faced unprecedented financial risk and uncertainty due to the impact of the Covid-19 pandemic. The 2021/22 tax base forecast, using trend data, modelled that the economic slowdown would increase the number of Band D equivalent discounts offered under the local council tax support scheme by 885. The actual increase has been 214 and this has enabled an improvement in the 2022/23 tax base of 671 Band D equivalents.

Due to concerns over the impact of Covid-19 the budgeted collection rate reduced from 97.5% in 2020/21 to 97% in 2021/22. A 97% collection rate will continue to be modelled for 2022/23.

Prior Year Collection Fund Adjustments

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 the Council's own General Fund. Subsequent budget adjustments are made should the actual sum paid into the Collection Fund be more, or less, than the originally approved tax base.

For 2022/23 the net impact of expected prior year adjustments is an estimated surplus of £685,000 of which the Hammersmith & Fulham share is £487,000. This sum continues to be reviewed and will be finalised as part of the 2022/23 Revenue Budget and Council Tax Setting Report considered by Budget Council.

Business Rates

As part of the Autumn 2021 Budget, the Chancellor of the Exchequer announced that a new temporary 50% business rates relief will apply for eligible retail, hospitality and leisure properties for 2022/23. In addition, a new 100% improvement relief will be available where eligible improvements increase rateable value. There will also be a business rates freeze in 2022/23 (no increase in line with the multiplier). Local authorities will be compensated by the government for the resultant loss of income from these measures.

Until the detail of these changes is confirmed it is not possible to set the 2022/23 business rates tax base. Accordingly delegated authority is requested for the Director of Finance to approve the 2022/23 business rates tax base. This will normally be by 31 January 2022.

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.

Contact Officers

Name: Jamie Mullins
Position: Head of Revenues
Telephone: 020 8753-1650
Email: jamie.mullins@lbhf.gov.uk

Name: Andrew Lord
Position: Head of Strategic Finance and Monitoring
Telephone: 020 8753 2531
Email: andrew.lord@lbhf.gov.uk
Verified by Emily Hill, Director of Finance

Name: Jade Monroe
Position: Chief Solicitor, Social Care
Telephone: 0208 753 2695
Email: jade.monroe@lbhf.gov.uk

Background Papers Used in Preparing This Report

MHCLG Return CTB1 Jamie Mullins x1650
(October 2021)

DETAILED ANALYSIS

Discounts

Second Homes

1. There are 2,112 second homes in the borough. The Council does not offer a discount on second homes which adds 2,526 Band "D" equivalents to the 2022/23 tax base.
2. Based upon 2021/22 council tax levels, this generates income to the Council of £1.97m. 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

3. There are 619 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 730 Band "D" equivalents to the 2022/23 tax base. Based upon 2021/22 council tax levels, this generates income to the Council of £568,232. This income also directly benefits the GLA.

Council Tax Support

4. Under council tax support, Hammersmith & Fulham and the GLA absorb the full cost of the scheme. This mirrors the previous council tax benefit arrangements. For 2022/23, the Council has provided council tax support discounts that equate to 10,825 Band 'D' equivalents. Based on 2021/22 Council Tax levels, this represents financial support of £12.94m (including the GLA precept).
5. 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.

Valuation Band Properties

6. The latest information on the number of properties within each valuation band is contained within a return (CTB1), which the Council provided to the DLUHC on 15 October 2021. This return reflected the actual number of properties shown in the Valuation List as of 13 September 2021, and the Council's records as of 4 October 2021.
7. A detailed analysis of the properties in each valuation band is summarised below. There are 92,148 dwellings on the list with 29,196 properties estimated to receive a single person's discount. The total Band "D" equivalent is approximately 95,740.6 properties.

Council Tax Base Return Summary (CTB1)

Band	Band Size	Total Dwellings	Total after Discounts, Premiums, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
A	Values not exceeding £40,000	4,094.0	3,046.25	6/9	2,030.8
B	Values exceeding £40,000 but not exceeding £52,000	6,637.0	4,915.00	7/9	3,822.8
C	Values exceeding £52,000 but not exceeding £68,000	14,318.0	12,344.50	8/9	10,972.9
D	Values exceeding £68,000 but not exceeding £88,000	25,448.0	22,655.25	9/9	22,655.3
E	Values exceeding £88,000 but not exceeding £120,000	16,643.0	15,144.50	11/9	18,509.9
F	Values exceeding £120,000 but not exceeding £160,000	10,503.0	9,673.00	13/9	13,972.1
G	Values exceeding £160,000 but not exceeding £320,000	11,708.0	11,013.75	15/9	18,356.3
H	Values exceeding £320,000	2,797.0	2,710.25	18/9	5,420.5
	Total	92,148.0	81,502.50		95,740.6

Adjustments to the Valuation List

8. The above table shows the valuation band position on 13 September 2021, but the Council is also required to consider any likely changes that may arise for the financial year 2022/23. Therefore, the following adjustments need to be considered:

New Properties

9. 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 270 units currently under construction on various sites in the borough that will be added to the tax base sometime during 2022/23. It is estimated after allowing for different completion dates that this will equate to an additional 275 Band 'D' equivalents.

Single Person Discounts (SPD)

10. The Council undertakes a regular review of single person discounts being awarded to taxpayers. The next review will take place in June 2022 and based on previous reviews; it is estimated that a further 651 Band D equivalent SPD discounts will be removed which will add an additional 180.4 Band "D" equivalents to the tax base for 2022/23. This will benefit the Council by an estimated £140,501.

Student Exemptions

11. 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 495 Band D equivalents is required.

Council Tax Support

12. The cost of the scheme equates to 10,825 Band “D” equivalents, based on 2021/22 council tax levels, which are deducted from the tax base for 2022/23. This is less than the deduction of 11,476 Band D equivalents made in 2021/22. This is due to an estimated decrease in the number of claimants applying for a discount since the Covid-19 pandemic peaked.

Care Leavers

13. For 2021/22, the Council has provided discounts for care leavers up to the age of 25. This equates to 69 Band D equivalents based on 2021/22 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.

14. 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.

15. Based on the CTB1 return to the DLUHC, 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:

2022/23 Council Tax Base Calculation

Band	Band “D” Equivalent Actual September	Adjustments for New Properties	Adjustments for Student Exemptions	SPD	Adjustments for Council Tax Support Scheme	Care Leaver	Revised Band “D” Equivalents
A	2,030.8	0	-11	5	-498	-8	1,518.8
B	3,822.8	-1	-19	10.7	-1,090	-22	2,701.5
C	10972.9	-10	-30	28	-2,466	-15	8,479.9
D	22,655.3	273	-132	47.5	-3,279	-18	19,546.8
E	18,509.9	10	-138	33.5	-2,035	-4	16,376.4
F	13,972.1	-6	-111	23.5	-870	0	13,008.6
G	18,356.3	7	-48	26.2	-567	-2	17,772.5
H	5,420.5	2	-6	6	-20	0	5,402.5
Total	95,740.6	275	-495	180.4	-10,825	-69	84,807

Collection Rate

16. The Council is also required to estimate its collection rate for 2022/23 at the same time as arriving at the estimated number of properties within the tax base. In arriving at a percentage collection rate for 2022/23, the Council considers the likely sum to be collected, previous collection experience and any other relevant factors.

17. 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.
18. The actual collection rate for 2021/22 achieved to the end of October 2021 is 60.57%, comprising cash collection of £59.6m and Council Tax Support of £12.9m. It is estimated that a further £36.3m (35.93%) will need to be collected by 31 March 2022 and £0.50m (0.5%) thereafter.
19. Collection performance has been calculated in order to comply with DLUHC performance indicator calculations. Latest calculations for 2021/22 show that the current collection rate is at approximately the same level as 2020/21. It is therefore, suggested that the collection rate for 2022/23 is set at 97%.

The Tax Base

20. 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
21. Based on the number of Band "D" equivalents in the table in paragraph 9. Above and the estimated collection rate in paragraph 19 above, the calculation is as follows:

$$(\text{Band D equivalents}) \times (\text{Collection Rate}) = (\text{Tax Base})$$

$$84,807 \times 97.0\% = 82,263$$

Business Rates Tax base

22. 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 continues to set the tax rate (known as the non-domestic multiplier).
23. The tax base is based on data from the Valuation Office with local allowance for the appropriate level of business rates appeals, the provision for bad debts, any discretionary reliefs and any forecast growth. This information is pulled together into a government return (NNDR1). The detailed guidance on completing the NNDR1 will be issued just before Christmas and will include changes made to the business rates system relating to the continued impact of Covid-19.

Reasons for Decision

24. 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.

25. 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

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

Risk Management Implications

27. 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 2022/23 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, David Hughes, Director of Audit, Fraud, Risk and Insurance, tel: 07817 507 695

List of Appendices:

None