

London Borough of Hammersmith & Fulham

Report to: Full Council

Date: 18/01/2023

Subject: Council Tax Base and Collection Rate 2023/24 and Delegation of the Business Rate Estimate

Report of: Report of the Cabinet Member for Finance and Reform – Councillor Rowan Ree

Report author: Jamie Mullins, Head of Revenues

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This report is a statutory requirement that sets the council tax base for the purposes of the 2023/24 revenue budget.

The proposed 2023/24 council tax base is 83,936. This is an increase of 1,673 on the figure agreed for 2022/23 and will result in an increased income, based on the 2022/23 Band D council tax charge, of £1,391,869 for Hammersmith & Fulham.

The report also delegates authority to the Director of Finance to determine the business rates tax base for 2023/24.

RECOMMENDATIONS

1. That Full Council approves the following for the financial year 2023/24:
 - a. The estimated numbers of properties for each Valuation Band as set out in this report.
 - b. An estimated collection rate of 97.0%.
 - c. The Council Tax Base of 83,936 Band “D” equivalent properties.
 - d. The delegation of authority to the Director of Finance to determine the business rates tax base for 2023/24.

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 23 February 2023.

The proposed Council Tax Base for 2023/24 of 83,936 is 1,673 Band D equivalents, higher than the 82,263 agreed for 2022/23. The increase in the tax base will generate additional income, using 2022/23 council tax charges, of £1,391,869 for Hammersmith & Fulham and £661,822 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	682
Reduction in student and other discounts	233
Increase in the 2022/23 tax base	1,673

Local authority finances have faced unprecedented financial risk and uncertainty due to the impact of the Covid-19 pandemic. The 2022/23 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 2023/24 tax base of 682 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 2023/24.

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 nil impact. This will continue to be reviewed and will be finalised as part of the 2023/24 Revenue Budget and Council Tax Setting Report considered by Budget Council.

Andre Mark, Head of Finance, signed on 23 November 2022

Verified by Sukvinder Kalsi, Director of Finance, on 23 November 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.

Jade Monroe, Chief Solicitor, Social Care, signed on 22 November 2022

Background Papers Used in Preparing This Report

DLHUC Return CTB1 (October 2022) Jamie Mullins - Jamie.Mullins@lbhf.gov.uk

DETAILED ANALYSIS

Discounts

Second Homes

1. There are 2,688 second homes in the borough. The Council does not offer a discount on second homes which adds 3,130 Band "D" equivalents to the 2023/24 tax base.
2. Based upon 2022/23 council tax levels, this generates income to the Council of £2.44m. 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.
3. There are 749 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 865 Band "D" equivalents to the 2023/24 tax base. Based upon 2022/23 council tax levels, this generates income to the Council of £673,316. 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 2023/24, the Council has provided council tax support discounts that equate to 10,143 Band 'D' equivalents. Based on 2022/23 Council Tax levels, this represents financial support of £11.91m (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 17 October 2022. This return reflected the actual number of properties shown in the Valuation List as of 12 September 2022, and the Council's records as of 3 October 2022.
7. A detailed analysis of the properties in each valuation band is summarised below. There are 93,165 dwellings on the list with 29,505 properties estimated to receive a single person's discount. The total Band "D" equivalent is approximately 97136.9 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	4,111	3064.05	6/9	2042.7
B	Values exceeding £40,000 but not exceeding £52,000	6,650	4951.28	7/9	3851.0
C	Values exceeding £52,000 but not exceeding £68,000	14,411	12445.2	8/9	11062.4
D	Values exceeding £68,000 but not exceeding £88,000	25,854	23068.40	9/9	23067.8
E	Values exceeding £88,000 but not exceeding £120,000	16,896	15398.5	11/9	18820.4
F	Values exceeding £120,000 but not exceeding £160,000	10,750	9953.03	13/9	14376.6
G	Values exceeding £160,000 but not exceeding £320,000	11,682	11005.74	15/9	18342.9
H	Values exceeding £320,000	2,811	2786.25	18/9	5572.5
	Total	93,165	82672.46		97136.9

Adjustments to the Valuation List

8. The above table shows the valuation band position on 12 September 2022, but the Council is also required to consider any likely changes that may arise for the financial year 2023/24. 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 304 units currently under construction on various sites in the borough that will be added to the tax base sometime during 2023/24. It is estimated after allowing for different completion dates that this will equate to an additional 420 Band 'D' equivalents.

Single Person Discounts (SPD)

10. Not applicable as no SPD review done this year.

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 817 Band D equivalents is required.

Council Tax Support

12. The cost of the scheme equates to 10,143 Band "D" equivalents, based on 2022/23 council tax levels, which are deducted from the tax base for 2023/24. This is less than the deduction of 10,825 Band D equivalents made in 2022/23. This is due to a decrease in the number of claimants applying for a discount since the Covid-19 pandemic.

Care Leavers

13. For 2022/23, the Council has provided discounts for care leavers up to the age of 25. This equates to 65 Band D equivalents based on 2022/23 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:

2023/24 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	2042.7	0	-13	0	-707	-5	1317.7
B	3851.0	0	-40	0	-1292	-15	2504
C	11062.4	0	-120	0	-2574	-29	8339.4
D	23067.8	45	-177	0	-3103	-11	19821.8
E	18820.4	94	-214	0	-1577	-5	17118.4
F	14376.6	166	-173	0	-574	0	13795.6
G	18342.9	93	-58	0	-307	0	18070.9
H	5572.5	22	-22	0	-9	0	5563.5
Total	97136.9	420	-817	0	-10143	-65	86532

Collection Rate

16. The Council is also required to estimate its collection rate for 2023/24 at the same time as arriving at the estimated number of properties within the tax base. In arriving at a percentage collection rate for 2023/24, 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 2022/23 achieved to the end of October 2021 is 58.46%, comprising cash collection of £62.3m and Council Tax Support of £12.4m. It is estimated that a further £40.4m (38.04%) will need to be collected by 31 March 2023 and £0.50m (0.5%) thereafter.
19. Collection performance has been calculated in order to comply with DLUHC performance indicator calculations. Latest calculations for 2022/23 show that the current collection rate is below the same level as 2021/22. However, full recovery action will be reinstated in time for 2023/24 and 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:

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

$$86,532 \times 97.0\% = 83,936$$

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.
24. The recent Government Announcement in the Autumn Statement confirmed that a Revaluation will come into effect from the 1st April 2023. The Multiplier will also be frozen at the same level and transitional relief will be removed for properties which have a reduction in Rateable Value so that businesses will benefit from the reduction immediately.
25. Support for eligible retail, hospitality and leisure Businesses is also being extended and increased from 50% to 75% relief up to £110,000 in 2023-24.
26. The initial Draft Rating List shows a potential reduction in the overall Rateable Value of £4.5m with effect from the 1/4/2023.

Reasons For Decisions

27. 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.
28. 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

29. 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

30. 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 2023/24 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,
21 November 2022*