

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Full Council

Date: 24/01/2024

Subject: Council Tax Base and Collection Rate 2024/25 and Delegation of the Business Rate Estimate

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

Report author: Jamie Mullins, Assistant Director, Revenues

Responsible Director: Sukvinder Kalsi, Strategic Director of Finance

SUMMARY

This report is a statutory requirement that sets the Council Tax base for the purposes of the 2024/25 revenue budget.

The proposed 2024/25 Council Tax base is 86,113. This is an increase of 2,177 on the figure agreed for 2023/24 and will result in an increased income, based on the 2023/24 Band D Council Tax charge, of £1,745,235 for Hammersmith & Fulham.

The report also delegates authority to the Strategic Director of Finance to determine the business rates tax base for 2024/25.

For the purposes of council tax, a 'long-term empty home' is currently defined as a dwelling which has been unoccupied and substantially unfurnished for a continuous period of at least 2 years. The maximum council tax premium that billing authorities can apply is:

- up to 100% for properties empty for 2-5 years.
- up to 200% for properties empty for 5-10 years.
- up to 300% for properties empty for 10+ years.

The Levelling Up and Regeneration Bill contains a provision to amend the definition of 'long term empty homes' so that, for financial years from 2024-25 onwards, dwellings unoccupied and substantially unfurnished for a continuous period of at least one year are liable to the council tax premium.

The Bill also provides powers to billing authorities to charge a discretionary council tax premium of up to 100% for dwellings which are periodically occupied, referred to as second homes. This is defined as a dwelling that is substantially furnished and has no resident (i.e., it is not someone's sole or main residence).

RECOMMENDATIONS

1. That Full Council approves the following for the financial year 2024/25:

- 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 86,113 Band “D” equivalent properties.
- d. The delegation of authority to the Strategic Director of Finance to determine the business rates tax base for 2024/25.
- e. That the Council charge the full relevant council tax premium allowed on dwellings unoccupied and substantially unfurnished for a continuous period of at least one year and properties designated as second homes, as soon as the legislation allows.

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. Similarly, we have one of the most comprehensive Council Tax Support Schemes in the country, providing relief for those least able to pay. 47% of residents receive a discount on their, already low, Council Tax with many paying nothing at all.
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.
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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 Cabinet on the 12th of February and to Budget Council on the 28th of February 2024.

The proposed Council Tax Base for 2024/25 of 86,113 is 2,177 Band D equivalents, higher than the 83,936 agreed for 2023/24.

Council Tax base changes

The main reasons for the tax base change are:

	Band D Equivalents
An allowance for new properties added in-year	2,415
A forecast reduction in the number of single persons discounts	632
Increase in exemptions reducing tax base	(288)
Increase in the number of local Council Tax support scheme discounts	(205)
Reduction because of care leavers, foster carers, SGOs & other discounts	(377)
Increase from the 2023/24 tax base	2,177

The financial implications of this report will be incorporated in the final version of the 2024/25 budget report and Council Tax calculations to be considered by the Cabinet and Full Council.

The movement in the taxbase and that of prior years will be analysed to inform the medium-term financial strategy for the Council and future years taxbase projections.

Andre Mark, Head of Finance, Strategic Planning and Investment, 14 November 2023

Verified by Sukvinder Kalsi, Strategic Director of Finance, 15 November 2024

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, 15 November 2023

Background Papers Used in Preparing This Report

DLHUC Return CTB1 (October 2023)

Updated CTB1 (November 2023)

Foster Carer Exemption Decision Report (Sep 2023)

DETAILED ANALYSIS

Discounts

Second Homes

1. There are 2,711 second homes in the borough. The Council does not offer a discount on second homes which adds 3,171 Band "D" equivalents to the 2024/25 tax base.
2. Based upon 2023/24 Council Tax levels, this generates income to the Council of £2.54m. 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 704 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 908 Band "D" equivalents to the 2024/25 tax base. Based upon 2023/24 Council Tax levels, this generates income to the Council of £727,916. 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 2024/25, the Council has provided Council Tax support discounts that equate to 10,355 Band 'D' equivalents. Based on 2023/24 Council Tax levels, this represents financial support of £13.52m (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. In previous years 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 11 October 2023. That return reflected the actual number of properties shown in the Valuation List as of 11 September 2023, and the Council's records as of 2 October 2023. This year a full SPD review was completed after that return and cancelled 1044 SPD Band D equivalents. As this materially changed the tax base calculation, we carried out another full Council Tax base calculation on 1 November 2023 and the number of properties stated here relate to the updated calculation.
7. A detailed analysis of the properties in each valuation band is summarised below. There are 94,177 dwellings on the list with 26,143 properties estimated to receive a single person's discount. The total Band "D" equivalent is approximately 99142.9 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	4,148	3078.5	6/9	2052.1
B	Values exceeding £40,000 but not exceeding £52,000	6,662	5050.3	7/9	3928
C	Values exceeding £52,000 but not exceeding £68,000	14,432	12598.3	8/9	11198.4
D	Values exceeding £68,000 but not exceeding £88,000	25,824	23255.3	9/9	23255.3
E	Values exceeding £88,000 but not exceeding £120,000	17,134	15736.3	11/9	19233.2
F	Values exceeding £120,000 but not exceeding £160,000	11,013	10188.8	13/9	14717.1
G	Values exceeding £160,000 but not exceeding £320,000	12,070	11427.5	15/9	19045.8
H	Values exceeding £320,000	2,894	2856.5	18/9	5713
	Total	94,177	84,191.3		99,142.9

Adjustments to the Valuation List

8. The above table shows the valuation band position on 01 November 2023, but the Council is also required to consider any likely changes that may arise for the financial year 2024/25. 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 676 units currently under construction on various sites in the borough that will be added to the tax base sometime during 2024/25. It is estimated after allowing for different completion dates that this will equate to an additional 984.6 Band 'D' equivalents.

Single Person Discounts (SPD)

10. Following an extensive Single Person Discount Review which resulted in the cancellation of 1044 Band D Equivalents, it is projected that 209 of these Band D equivalent that have been cancelled will be reinstated by 1 April 2024.

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 554.8 Band D equivalents is required.

Council Tax Support

12. The cost of the scheme equates to 10,355 Band "D" equivalents, based on 2023/24 Council Tax levels, which are deducted from the tax base for 2024/25. This is more than the deduction of 10,143 Band D equivalents made in 2023/24. This is due to an increase in the number of claimants applying for a discount.

Care Leavers, Foster Carers and Special Guardianship Orders

13. For 2023/24, the Council has provided discounts for care leavers up to the age of 25. This equates to 103 Band D equivalents based on 2023/24 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.

From the 1st of April 2024, the Council will also provide an exemption for In-House foster carers and special guardians residing in the Borough. This equates to 99 Band D equivalents based on 2023/24 levels, The cost of this exemption will be fully funded by the Council and also 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 calculation of 1 November 2023 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:

2024/25 Council Tax Base Calculation

Band	Band "D" Equivalent Actual September	Adjustments for New Properties	Adjustments for Student Exemptions	SPD	Projected increase for Council Tax Support Scheme	Care Leaver Foster carers, special guardian ship orders	Revised Band "D" Equivalent
A	1,587.4	0	-2.5	-12.9	-18.5	-8	1,545.5
B	2,918.4	0	-23	-21.5	-34.5	-36.6	2,802.8
C	8,943.6	0	-59.6	-47.3	-67.5	-34.7	8,734.5
D	20,190.4	0	-137.5	-65.4	-81.6	-57.1	19,848.8
E	17,315.9	235.8	-132.3	-31.6	-41.7	-33.0	17,313.1
F	13,826.7	365.4	-146.7	-15.8	-16.3	-20.1	13,993.2
G	18,551	383.4	-44.6	-13	-7.8	-13.3	18,855.7
H	5,693.1	0	-8.6	-1.5	-0.3	-0	5,682.7
Total	89,026.5	984.6	-554.8	-209	-268.2	-202.8	88,776.3

Collection Rate

16. The Council is also required to estimate its collection rate for 2024/25 at the same time as arriving at the estimated number of properties within the tax base. In arriving at a percentage collection rate for 2024/25, 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 2023/24 achieved to the end of October 2023 is 60.24% comprising cash collection of £69.6m and Council Tax Support of £13.5m. It is estimated that a further £42.5m (36.26%) will need to be collected by 31 March 2024 and £0.57m (0.5%) thereafter.
19. Collection performance has been calculated in order to comply with DLUHC performance indicator calculations. Latest calculations for 2023/24 show that the current collection rate is above the same level as 2022/23. As collection rates continue to recover, it is therefore suggested that the collection rate for 2024/25 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:

$$\begin{aligned} & (\text{Band D equivalents}) \times (\text{Collection Rate}) = (\text{Tax Base}) \\ & 88,776 \times 97.0\% = 86,113 \end{aligned}$$

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. Non-Domestic Rating Act 2023 - Technical Adjustments to the Business Rates Retention System (BRSS). This new bill, which is currently proceeding through parliament and is expected to come in to force from the 1st of April 2024, will change the way that Business Rate Multipliers are indexed and will give Government more flexibility over increases to the small and large business rate multipliers.

There are 2 changes proposed to the way the multiplier is indexed.

- Index multiplier increases using Consumer Price Index (CPI) rather than the Retail Price Index (RPI).
- De-couple the small and standard business rating multipliers. Currently the standard multiplier is 1.3p higher than the small business rating multiplier (SBRM)¹, and the relationship between the small and standard multipliers have been fixed in this way.

Reasons For Decisions

25. 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.

26. 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

27. There are no anticipated negative implications for groups with protected characteristics, under the Equality Act 2010, by the approval of these proposals. However, on 05 June, Hammersmith & Fulham decided to treat Care Experience as a protected characteristic in acknowledgement of the significant inequalities, discrimination and stigma faced by care leavers. This report acknowledges this and exempts care leavers from Council Tax up to the age of 25.

Risk Management Implications

28. 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 2024/25 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, 9 November 2023

LIST OF APPENDICES

None.