



London Borough of Hammersmith & Fulham

COUNCIL

30 January 2013

COUNCIL TAX BASE AND COLLECTION RATE 2013/2014

Report of the Leader : Councillor Nicholas Botterill

Open Report

Classification - For Decision

Key Decision: Yes

Wards Affected: All

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1. EXECUTIVE SUMMARY

- 1.1. This report contains an estimate of the Council Tax Collection rate and calculates the Council Tax Base for 2013/14.
- 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 2013/14.
- 1.3. The proposed Council Taxbase for 2013/14 of 67,895 is 12,192 band D equivalents lower than 2012/13. This is largely due to the impact of the calculation for the new Council Tax Support Scheme. Residents that used to receive council tax benefit will now receive a council tax discount. This reduces the taxbase.
- 1.4. Based on the 2012/13 Band D charge of £781.34 the reduction in the taxbase will result in lower income of £9.5m. Against this loss the council will receive new council tax support grant. Figures for this are not yet confirmed.

- 1.5. The recommendations contained in the Council Tax Discounts and Exemptions 2013/14 and Localising Council Tax Support 2013/14 reports 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 8.3 below.

2. RECOMMENDATIONS

- 2.1 That Council approve the following recommendations for the financial year 2013/14:
 - (i) That the estimated numbers of properties for each Valuation Band as set out in this report, be approved.
 - (ii) That an estimated Collection rate of 97.5% be approved
 - (iii) That the Council Tax Base of 67,895 Band "D" equivalent properties be approved

3. REASON FOR DECISION

- 3.1 This is a statutory requirement and forms part of the Council Tax setting process each year.

4. INTRODUCTION AND BACKGROUND

- 4.1 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.
- 4.2 For the current financial year the Council approved a Council tax base of 82,140 Band D equivalent dwellings, and an estimated Collection Rate of 97.5%, which resulted in a tax base of 80,087.
- 4.3 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 has reduced discounts for both Second Homes and Unoccupied and Unfurnished dwellings to 0% with effect from 2013/14. These changes are included in the Discounts and Exemptions Report 2013/14 and need to be approved prior to the recommendations in this report.
- 4.4 Council will also be required to approve the recommendations in the Localising Council Tax Support 2013/14 report, prior to the recommendations in this report, as the amount of support to be awarded in 2013/14 has to be shown as a discount and reflected as

Band "D" equivalents in the Council's Taxbase calculations in sections 8.3 and 10.2 below.

5. DISCOUNTS

5.1 Second Homes

5.1.1 There are some 2,192 second homes in the borough. The reduction in discount to 0% approved in the Discounts & Exemption Report 2013/14 will add 1,228 Band "D" equivalents to the taxbase for 2013/14.

5.1.2 Based upon 2012/13 Council Tax levels this will generate income to the Council of £0.96m. Such additional income will directly benefit the Council and is allowed for within our Medium Term Financial Strategy. Our preceptor, the GLA, will also benefit from the reduction in the discount.

5.2 Empty Properties

5.2.1 There are some 1,069 empty (unoccupied and unfurnished) properties in the borough. Setting the discount at 0% approved in the Discounts & Exemption Report 2013/14 will add an additional 1,017 Band "D" equivalents to the taxbase for 2013/14.

5.2.2 Based upon 2012/13 Council Tax levels this reduction in discount will generate income to the Council of £0.79m. This additional income will also directly benefit the Council and the GLA.

6. COUNCIL TAX SUPPORT

6.1 Under Localising Council Tax Support Hammersmith & Fulham and the GLA absorb the cost of the new scheme, which mirrors the current council tax benefit arrangements.

6.2 For 2012/13 the Council pays claimants a total of £15.7m in Council Tax Benefit, which equates to 14,384 band "D" equivalents based on 2012/13 Council Tax levels.

6.3 The new taxbase regulations require the cost of the new scheme to be treated as a discount and deducted from the council's taxbase calculation in section 8.3.

7. VALUATION BAND PROPERTIES

- 7.1 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 2012.
- 7.2 This return reflected the actual number of properties shown in the Valuation List as at 10 September 2012 and the Council's records as at 1 October 2012.
- 7.3 A detailed analysis of the properties in each valuation band can be summarised as follows. There are a total of 83,063 dwellings on the list with some 31,203 properties estimated to receive a sole occupier discount. The total Band "D" equivalent is approximately 82,170 properties.

Band	Band Size	Total Dwellings	Total after Discounts, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
	Band A disabled relief	0	0.00	5/9	0.0
A	Values not exceeding £40,000	3,413	2,691.25	6/9	1,794.2
B	Values exceeding £40,000 but not exceeding £52,000	5,588	4,513.25	7/9	3,510.3
C	Values exceeding £52,000 but not exceeding £68,000	14,080	11,333.00	8/9	10,073.8
D	Values exceeding £68,000 but not exceeding £88,000	23,899	20,171.25	9/9	20,171.3
E	Values exceeding £88,000 but not exceeding £120,000	14,650	12,793.75	11/9	15,636.8
F	Values exceeding £120,000 but not exceeding £160,000	8,851	7,825.75	13/9	11,303.9
G	Values exceeding £160,000 but not exceeding £320,000	10,533	9,554.50	15/9	15,924.2

Band	Band Size	Total Dwellings	Total after Discounts, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
H	Values exceeding £320,000	2,049	1,877.50	18/9	3,755.0
		83,063	70,760		82,169.5

8. ADJUSTMENTS TO THE VALUATION LIST

8.1 The above table shows the valuation band position at 10 September 2012 but the Council is also required to take into account the Council Tax Support Scheme 2013/14 and any other likely changes during the financial year 2013-2014. 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 252 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2013/14. It is estimated after allowing for different completion dates that this will equate to an additional 276 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) Second Homes

The effect of reducing the discount for second homes to 0% from 1 April 2013, would add a further 1,228 Band "D" equivalents as outlined in section 5.1.

(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 671 Band "D" equivalents is required.

(v) Empty Properties

The effect of reducing the discount for unoccupied and

unfurnished dwellings to 0% from 1 April 2013, would add a further 1,017 Band “D” equivalents as outlined in section 5.2

(vi) Council Tax Support

The cost of the new scheme equates to 14,384 band “D” equivalents, based on 2012/13 Council Tax levels, which now have to be deducted from the taxbase for 2013/14.

8.2 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.

8.3 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 2012	Adjustments for New Properties	Adjustments for Second Homes	Adjustments for Student Exemptions	Adjustments for Empty Homes	Adjustments for Council Tax Support	Revised Band “D” Equivalents 2013/14 Forecast
A	1,794.2	13	31	-13	18	-981	849
B	3,510.3	87	41	-20	45	-1,853	1,723
C	10,073.8	8	139	-79	95	-3,657	6,572
D	20,171.3	31	314	-214	270	-4,331	16,210
E	15,636.8	0	235	-136	154	-2,235	13,655
F	11,303.9	3	180	-113	131	-900	10,602
G	15,924.2	134	213	-88	248	-417	15,880
H	3,755.0	0	75	-8	56	-10	3,868
	82,169.5	276	1,228	-671	1,017	-14,384	69,636

9. COLLECTION RATE

9.1 The Council is also required to estimate its Collection Rate for 2013/14 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2013/14, the Council should take into account the likely sum to be collected, previous collection experience and any other relevant factors.

9.2 The actual sum to be collected from local Council tax payers cannot be finally determined until, the preceptors 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.

9.3 The actual collection rate for 2012/13 achieved to mid November 2012 is 69.2% comprising cash collection of £51.6m and Council Tax benefit of £15.7m. It is estimated that a further £20.0m (26.8%) will need to be collected by 31 March 2013 and £1.1m (1.5%) thereafter. It should be noted that Council Tax Benefit will be replaced by Council Tax Support from 2013/14.

9.4 Collection performance has been calculated in order to comply with DCLG performance indicator calculations. Latest calculations for 2011/12 and 2012/13 show that the current collection rate can be continued for 2013/14. It is therefore suggested that the collection rate for 2013/14 is maintained at 97.5%

10. THE TAX BASE

10.1 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.

10.2 Based on the number of Band "D" equivalents in the table in paragraph 8.3 above and the estimated collection rate in paragraph 9.4 above, the calculation is as follows:-

(Band D equivalents) x (Collection Rate) = (Tax Base)			
69,636	x	97.5%	= 67,895

11. RISK MANAGEMENT

11.1 This is a statutory process and any risks are monitored through the Council's MTFs process.

12. EQUALITY IMPLICATIONS

12.1 There are no equality implications in this report.

13. FINANCIAL AND RESOURCE IMPLICATIONS

13.1 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 27 February 2013.

- 13.2 The proposed Council Taxbase for 2013/14 of 67,895 is 12,192 band D equivalents lower than the 80,087 agreed for 2012/13. The main reasons for this change are set out below:

	Band D Change
Increase in the taxbase due to new properties and a reduction in single person discounts	863
Impact of the change in exemptions for empty properties	1,017
Council Tax Support scheme	-14,384
Gross Total Change	-12,504
Adjusted for Collection rate of 97.5%	312
Total change	-12,192

- 13.3 A reduction in the taxbase of 12,192 Band D equivalents will reduce the income receivable to the Council by £9.5m. Against this loss the Council will receive a new grant that will replace the old council tax benefit subsidy. This figure will be confirmed as part of the Local Government Finance Settlement. Appropriate adjustments will be made to the Medium Term Financial Strategy when this is confirmed.

14. LEGAL IMPLICATIONS

- 14.1 The Council is under a statutory duty to set the Council Tax for the forthcoming financial year and to make a budget. This report forms part of that process. The Council is obliged, when making its budget, to act reasonably and in accordance with its statutory duties, the rules of public law and its general duty to Council Tax payers.
- 14.2 The basic amount of Council Tax must be calculated in accordance with Section 31(1) of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) Regulations 2012.
- 14.3 The Council Tax base has been calculated in accordance with the Act and the Regulations. The estimated collection rate to 97.5% is a reasonable and realistic estimate.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Local Government Finance Act 1992 and 2012 – <i>published</i>	A. Lord Ext. 2531	Ground Floor Room 5 Town Hall
2.	DCLG Return CTB1 (October 2012)	S. Barrett Ext. 1053	2 nd Floor Town Hall Extension