



London Borough of Hammersmith & Fulham

COUNCIL

29 JANUARY 2014

COUNCIL TAX BASE AND COLLECTION RATE 2014/15 AND DELEGATION OF THE BUSINESS RATES ESTIMATE

Report of the Leader of the Council: Councillor Nicholas Botterill

Open Report

Classification - For Decision

Key Decision: Yes

Wards Affected: All

Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance

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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 2014/15.
- 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 2014/15.
- 1.3 The proposed Council Tax Base for 2014/15 of 69,875 is an increase of 1,980 on the figure agreed for 2013/14, of 67,895.
- 1.4 Based on the 2013/14 Band D charge of £757.90 the increase in the tax base will result in an increased income of £1.5m.

- 1.5 The recommendations contained in the Council Tax Support 2014/15 report 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 7.3 below.
- 1.6 This report also recommends to delegate authority to the Executive Director of Finance and Corporate Governance, in consultation with the Leader of the Council, to determine the business rates tax base for 2014/15 as set out in section 10 of this report.

2. RECOMMENDATIONS

- 2.1 That Council approve the following recommendations for the financial year 2014/15:
 - (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 69,875 Band “D” equivalent properties be approved.
 - (iv) To delegate authority to the Executive Director of Finance and Corporate Governance, in consultation with the Leader of the Council, to determine the business rates tax base for 2014/15 as set out in section 10 of this report.

3. BACKGROUND

- 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 For 2013/14 the Council approved a Council tax Base of 69,636 Band D equivalent dwellings, and an estimated Collection Rate of 97.5%, which resulted in a tax base of 67,895.
- 3.3 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 reduced discounts for both Second Homes and Unoccupied and Unfurnished dwellings to 0% with effect from 2013/14 and subsequent years until revoked.
- 3.4 Council will also be required to approve the recommendations in the Council Tax Support 2014/15 report, prior to the recommendations in this report, as the amount of support to be awarded in 2014/15 has to be shown as a discount and reflected as Band “D” equivalents in the Council’s Tax base calculations in sections 7.3 and 9.2 below.

4. DISCOUNTS

4.1 Second Homes

4.1.1 There are some 1,887 second homes in the borough. The Council does not offer a discount on second homes which adds 1,113 Band "D" equivalents to the tax base for 2014/15.

4.1.2 Based upon 2013/14 Council Tax levels this generates income to the Council of £0.84m. 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.

4.2 Empty Properties

4.2.1 There are some 706 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 787 Band "D" equivalents to the tax base for 2014/15.

4.2.2 Based upon 2013/14 Council Tax levels this generates income to the Council of £0.60m. This income also directly benefits the GLA.

5. COUNCIL TAX SUPPORT

5.1 Under Council Tax Support, Hammersmith & Fulham and the GLA absorb the full cost of the scheme, which mirrors the previous council tax benefit arrangements.

5.2 For 2013/14 the Council has provided for a total of £14.5m in Council Tax Support discounts. This equates to 13,686 band "D" equivalents based on 2013/14 Council Tax levels.

5.3 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 7.3.

6. VALUATION BAND PROPERTIES

6.1 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 18 October 2013.

- 6.2 This return reflected the actual number of properties shown in the Valuation List as at 9 September 2013 and the Council's records as at 7 October 2013.
- 6.3 A detailed analysis of the properties in each valuation band can be summarised as follows. There are a total of 83,563 dwellings on the list with some 30,495 properties estimated to receive a sole occupier discount. The total Band "D" equivalent is approximately 83,968 properties.

Band	Band Size	Total Dwellings	Total after Discounts, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
A	Band A disabled relief Values not exceeding £40,000	3,457	2,751.8	5/9 6/9	1,834.5
B	Values exceeding £40,000 but not exceeding £52,000	5,656	4,631.0	7/9	3,601.9
C	Values exceeding £52,000 but not exceeding £68,000	14,130	11,491.3	8/9	10,214.4
D	Values exceeding £68,000 but not exceeding £88,000	24,067	20,654.3	9/9	20,654.3
E	Values exceeding £88,000 but not exceeding £120,000	14,741	13,114.8	11/9	16,029.1
F	Values exceeding £120,000 but not exceeding £160,000	8,831	7,924.8	13/9	11,446.9
G	Values exceeding £160,000 but not exceeding £320,000	10,593	9,778.0	15/9	16,296.7
H	Values exceeding £320,000	2,088	1,945.0	18/9	3,890.0
		83,563	72,290.8		83,967.8

7. ADJUSTMENTS TO THE VALUATION LIST

7.1 The above table shows the valuation band position at 9 September 2013 but the Council is also required to take into account the Council Tax Support Scheme and any other likely changes during the financial year 2014-2015. 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 392 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2014/15. It is estimated after allowing for different completion dates that this will equate to an additional 305 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 maintaining the discount for second homes at 0% from 1 April 2014, would add a further 1,113 Band "D" equivalents as outlined in section 4.1.

(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 820 Band "D" equivalents is required.

(v) Empty Properties

The effect of maintaining the discount for unoccupied and unfurnished dwellings at 0% from 1 April 2014, would add a further 787 Band "D" equivalents as outlined in section 4.2

(vi) Council Tax Support

The cost of the scheme equates to 13,686 band "D" equivalents, based on 2013/14 Council Tax levels, which now have to be deducted from the tax base for 2014/15. This is significantly less than the deduction of 14,384 Band D equivalents made in 2013/14. This is due to a reduction in the number of claimants applying for a discount and the impact of the 3% 2013/14 Council Tax cut.

- 7.2 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.
- 7.3 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 2013	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 2014/15 Forecast
A	1,834.5	70	28	-23	23	-637.3	1,295
B	3,601.9	46	35	-28	46	-1,395.3	2,306
C	10,214.4	43	111	-115	127	-3,119.2	7,261
D	20,654.3	48	287	-241	212	-4,132.3	16,828
E	16,029.1	30	214	-194	109	-2,562.4	13,626
F	11,446.9	4	152	-140	110	-1,188.3	10,385
G	16,296.7	50	212	-63	122	-637.0	15,981
H	3,890.0	14	74	-16	38	-14.6	3,985
	83,967.8	305	1,113	-820	787	-13,686.4	71,666

8. COLLECTION RATE

- 8.1 The Council is also required to estimate its Collection Rate for 2014/15 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2014/15, the Council should take into account the likely sum to be collected, previous collection experience and any other relevant factors.
- 8.2 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.
- 8.3 The actual collection rate for 2013/14 achieved to mid November 2013 is 68.6% comprising cash collection of £52.3m and Council Tax Support of £14.5m. It is estimated that a further £21.3m (27.9%) will need to be collected by 31 March 2014 and £0.8m (1%) thereafter.
- 8.4 Collection performance has been calculated in order to comply with DCLG performance indicator calculations. Latest calculations for 2012/13 and 2013/14 show that the current collection rate can be continued for 2014/15. It is therefore suggested that the collection rate for 2014/15 is maintained at 97.5%.

9. THE TAX BASE

- 9.1 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.
- 9.2 Based on the number of Band "D" equivalents in the table in paragraph 7.3 above and the estimated collection rate in paragraph 8.4 above, the calculation is as follows:-

(Band D equivalents) x (Collection Rate) = (Tax Base)			
71,666	x	97.5%	= 69,875

10. BUSINESS RATES TAXBASE

- 10.1 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).
- 10.2 Under the Rates Retention Scheme, established from 2013/14, billing authorities have to estimate their business rates tax base so that the resources available to them (30% for Hammersmith and Fulham), can be determined. 20% of the resources are paid to the Greater London Authority and 50% to the Government.
- 10.3 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 (NDR1). Unfortunately the detailed guidance on completing the NDR1 is not due to be issued until 17 January. This guidance includes allowance for a number of changes to the business rates system which were announced by the Chancellor in the Autumn Statement. 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 Executive Director of Finance and Corporate Governance in consultation with the Leader of the Council.
- 10.4 Although London Boroughs get to keep 30% of business rates income the scheme does provide a safety net for authorities that suffer a significant loss. For Hammersmith and Fulham the safety net arrangements were required in 2013/14, due to the high level of rates appeals (particularly at Westfield). The current 2014/15 budget strategy assumes that the safety net will again be required. This caps the potential 2014/15 loss at £4.4m for Hammersmith and Fulham. Any variation will be reported to Budget Council.

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 RESOURCES 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 26 February 2014.

- 13.2 The proposed Council Tax Base for 2014/15 of 69,875 is 1,980 Band D equivalents higher than the 67,895 agreed for 2013/14. The main reasons for this change are set out below:

	Band D Change
Increase in the tax base due to new properties	584
Reduction in number claiming single persons discount	200
Reduction in Council Tax Support scheme discounts	698
Reduction in student exemptions and discounts	174
Adjustment for Empty and Second Homes	374
Gross Total Change	2030
Adjusted for Collection rate of 97.5%	-50
Total change	1980

- 13.3 Implications provided by: Andrew Lord. Tel: 020 8753 2531

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.

14.4 Implications provided by : Tasnim Shawkat. Tel: 020 8753 2700

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	A. Lord Ext. 2531	Ground Floor Room 5 Town Hall
2.	DCLG Return CTB1 (October 2013)	S. Barrett Ext. 1053	2 nd Floor Town Hall Extension