



London Borough of Hammersmith & Fulham

COUNCIL

28 JANUARY 2015

COUNCIL TAX BASE AND COLLECTION RATE 2015/2016 AND DELEGATION OF THE BUSINESS RATES ESTIMATE

Report of the Cabinet Member for Finance: Councillor Max Schmid

Open Report

Classification - For Decision

Key Decision: Yes

Wards Affected: All

Accountable Executive Director: Jane West
Executive Director of Finance & Corporate Governance

Report Author: Steve Barrett
Head of Revenues and Benefits

Contact Details:
Tel: 020 8753 1053
E-mail:
steve.barrett@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 This report contains an estimate of the Council Tax Collection rate and calculates the Council Tax Base for 2015/16.
- 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 2015/16.
- 1.3 The proposed Council Tax Base for 2015/16 of 71,983 is an increase of 2,108 on the figure agreed for 2014/15, of 69,875.
- 1.4 Based on the 2014/15 Band D charge of £735.16 the increase in the tax base will result in an increased income of £1.55m
- 1.5 The recommendations contained in the Council Tax Support 2015/16 and Council Tax Empty Homes Premium 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 7.3 below.

- 1.6 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 2015/16 as set out in section 11 of this report.

2. RECOMMENDATIONS

- 2.1 That approval be given to the following recommendations for the financial year 2015/16:
 - (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 71,983 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 2015/16 as set out in section 11 of this report.

3. BACKGROUND

- 3.1 Under Section 31B 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 2014/15 the Council approved a Council tax Base of 71,666 Band D equivalent dwellings, and an estimated Collection Rate of 97.5%, which resulted in a tax base of 69,875.
- 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 2015/16 and Council Tax Empty Homes Premium reports, prior to the recommendations in this report, as they are reflected as Band “D” equivalents in the Council’s Tax base calculations in section 7.3 below.

4. DISCOUNTS

4.1 Second Homes

4.1.1 There are some 1,995 second homes in the borough. The Council does not offer a discount on second homes which adds 2,316 Band "D" equivalents to the tax base for 2015/16. These discounts are included in Section 6.3 below.

4.1.2 Based upon 2014/15 Council Tax levels this generates income to the Council of £1.7m. 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 767 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 902 Band "D" equivalents to the tax base for 2015/16. These discounts are included in Section 6.3 below.

4.2.2 Based upon 2014/15 Council Tax levels this generates income to the Council of £0.7m. This income also directly benefits the GLA.

5. EMPTY HOMES PREMIUM

5.1 There are 50 properties that have been empty for more than two years and the effect of increasing the charge on these properties to 150% of the normal charge adds an additional 29 Band "D" equivalents to the taxbase for 2015/16.

5.2 This equates to additional income for the Council (net of preceptors) of approximately £21k (based on the 2014/15 Band D Council Tax). An estimated £9k will also be payable to the GLA.

6. COUNCIL TAX SUPPORT

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

6.2 For 2014/15 the Council has provided for a total of £13.3m in Council Tax Support discounts. This equates to 12,941 band "D" equivalents based on 2014/15 Council Tax levels.

6.3 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.

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 17 October 2014.
- 7.2 This return reflected the actual number of properties shown in the Valuation List as at 8 September 2014 and the Council's records as at 6 October 2014.
- 7.3 A detailed analysis of the properties in each valuation band can be summarised as follows. There are a total of 84,340 dwellings on the list with some 29,653 properties estimated to receive a sole occupier discount. The total Band "D" equivalent is approximately 86,997 properties.

| Band | Band Size | Total Dwellings | Total after Discounts, Exemptions and Disabled Relief | Ratio | Band "D" Equivalents |
|-------------|--|------------------------|--|--------------|-----------------------------|
| A | Values not exceeding £40,000 | 3,537 | 2,902.3 | 6/9 | 1,934.7 |
| B | Values exceeding £40,000 but not exceeding £52,000 | 5,674 | 4,791.8 | 7/9 | 3,726.9 |
| C | Values exceeding £52,000 but not exceeding £68,000 | 14,199 | 11,910.0 | 8/9 | 10,586.7 |
| D | Values exceeding £68,000 but not exceeding £88,000 | 24,242 | 21,407.3 | 9/9 | 21,407.3 |
| E | Values exceeding £88,000 but not exceeding £120,000 | 14,959 | 13,624.5 | 11/9 | 16,652.2 |
| F | Values exceeding £120,000 but not exceeding £160,000 | 8,943 | 8,223.0 | 13/9 | 11,877.7 |
| G | Values exceeding £160,000 but not exceeding £320,000 | 10,669 | 10,046.0 | 15/9 | 16,743.3 |
| H | Values exceeding £320,000 | 2,117 | 2,034.3 | 18/9 | 4,068.5 |
| | | 84,340 | 74,939.0 | | 86,997.3 |

| Band | Band Size | Total Dwellings | Total after Discounts, Exemptions and Disabled Relief | Ratio | Band "D" Equivalents |
|-------------|------------------|------------------------|--|--------------|-----------------------------|
| | | | | | |

8. ADJUSTMENTS TO THE VALUATION LIST

8.1 The above table shows the valuation band position at 8 September 2014 but the Council is also required to take into account the Council Tax Support Scheme and any other likely changes during the financial year 2015/16. 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 363 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2015/16. It is estimated after allowing for different completion dates that this will equate to an additional 399 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) Single Person Discounts
The council is undertaking a review of single person discounts being awarded to taxpayers. This review has so far resulted in the removal of 843 discounts which increased the taxbase by 220 Band "D" equivalents when the CTB1 form was submitted to DCLG on 17 October 2014. The review is not yet complete and it is estimated that a further 1,240 discounts will be removed which will add an additional 243 Band "D" equivalents to the tax base for 2015/16.
- (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 940 Band "D" equivalents is required.
- (v) Council Tax Support
The cost of the scheme equates to 12,941 band "D" equivalents, based on 2014/15 Council Tax levels, which now have to be deducted from the tax base for 2015/16. This is less than the deduction of 13,686 Band D equivalents made in 2014/15. This is due to a reduction in the number of

claimants applying for a discount and the impact of the 3% 2014/15 Council Tax cut.

(vi) Empty Homes Premium

The introduction of this premium adds a further 29 band “D” equivalents to the taxbase as detailed in section 5 above.

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 2014 | Adjustments for New Properties | Adjustments for Student Exemptions | Adjustments for Single Person Discounts | Empty Homes Premium | Adjustments for Council Tax Support | Revised Band “D” Equivalents 2015/16 Forecast |
|------|---|--------------------------------|------------------------------------|---|---------------------|-------------------------------------|---|
| A | 1,934.7 | 12 | -13 | 17 | 0 | -619 | 1,328.7 |
| B | 3,726.9 | 8 | -40 | 26 | 1 | -1295 | 2,426.9 |
| C | 10,586.7 | 20 | -140 | 57 | 2 | -2978 | 7,547.7 |
| D | 21,407.3 | 124 | -286 | 79 | 12 | -3928 | 17,408.3 |
| E | 16,652.2 | 74 | -222 | 35 | 2 | -2374 | 14,167.2 |
| F | 11,877.7 | 151 | -144 | 16 | 4 | -1121 | 10,783.7 |
| G | 16,743.3 | 10 | -85 | 15 | 6 | -575 | 16,114.3 |
| H | 4,068.5 | 0 | -10 | 1 | 2 | -13 | 4,048.5 |
| | 86,997.3 | 399 | -940 | 246 | 29 | -12903 | 73,828.3 |

9. COLLECTION RATE

9.1 The Council is also required to estimate its Collection Rate for 2015/16 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2015/16, 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 preceptor’s 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 2014/15 achieved to mid November 2014 is 68.4% comprising cash collection of £52.0m and Council Tax Support of £13.3m. It is

estimated that a further £21.3m (27.9%) will need to be collected by 31 March 2015 and £0.9m (1.2%) thereafter.

- 9.4 Collection performance has been calculated in order to comply with DCLG performance indicator calculations. Latest calculations for 2013/14 and 2014/15 show that the current collection rate can be continued for 2015/16. It is therefore suggested that the collection rate for 2015/16 is maintained at 97.5%.

10. THE TAX BASE

- 10.1 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.
- 10.2 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) | | | |
| 73,828 | x | 97.5% | = 71,983 |

11. BUSINESS RATES TAXBASE

- 11.1 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).
- 11.2 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.
- 11.3 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 was not issued until just before Christmas. 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.

- 11.4 The current 2015/16 budget strategy assumes that the Hammersmith and Fulham share of business rates income, including government compensation for the measures announced in the Autumn Statement, will be £57.8m. Any variation will be reported to Budget Council.

12. RISK MANAGEMENT

- 12.1 This is a statutory process and any risks are monitored through the Council's MTFS process.

13. EQUALITY IMPLICATIONS

- 13.1 There are no equality implications in this report.

14. FINANCIAL AND RESOURCES IMPLICATIONS

- 14.1 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 25 February 2015.

- 14.2 The proposed Council Tax Base for 2015/16 of 71,983 is 2,108 Band D equivalents higher than the 69,875 agreed for 2014/15. The main reasons for this change are set out below:

| | Band D Change |
|--|---------------|
| Increase in the tax base due to new properties | 925 |
| Reduction in number claiming single persons discount | 463 |
| Reduction in Council Tax Support scheme discounts | 745 |
| Empty Homes Premium | 29 |
| | |
| Gross Total Change | 2162 |
| Adjusted for Collection rate of 97.5% | -54 |
| Total change | 2108 |

15. LEGAL IMPLICATIONS

- 15.1 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.

- 15.2 The basic amount of Council Tax must be calculated in accordance with Section 31B of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) Regulations 2012.
- 15.3 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. | DCLG Return CTB1 (October 2014) | S. Barrett Ext. 1053 | 2 nd Floor Town Hall Extension |