

**London Borough of Hammersmith &
Fulham**

CABINET

16 JANUARY 2017



**COUNCIL TAX BASE AND COLLECTION RATE 2017/2018 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: Hitesh Jolapara
Strategic Finance Director

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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 2017/18.
- 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 2017/18.
- 1.3 The proposed Council Tax Base for 2017/18 of 75,938 is an increase of 1,897 on the figure agreed for 2016/17 of 74,041.
- 1.4 Based on the 2016/17 Band D charge of £727.81 the increase in the tax base will result in an increased income of £1.38m
- 1.5 The recommendations contained in the Council Tax Support 2017/18 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.
- 1.6 To delegate authority to the Cabinet Member for Finance, in consultation with the Strategic Finance Director, to determine the business rates tax base for 2017/18 as set out in section 11 of this report

2. RECOMMENDATIONS

- 2.1 To approve the following recommendations for the financial year 2017/18:
 - (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 75,938 Band "D" equivalent properties be approved
 - (iv) To delegate authority to the Cabinet Member for Finance, in consultation with the Strategic Finance Director, to determine the business rates tax base for 2017/18.

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 2016/17 the Council approved a Council tax Base of 75,939 Band D equivalent dwellings, and an estimated Collection Rate of 97.5%, which resulted in a tax base of 74,041.
- 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 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 and subsequent years until revoked. This increases the charge on dwellings that have been unoccupied and substantially unfurnished for more than two years to 150% of the council tax that would be payable if the dwelling were occupied by two adults and no discounts were applicable.
- 3.5 Cabinet will also be required to approve the recommendations in the Council Tax Support Scheme 2017/18 report, prior to the recommendations in this report, as they are reflected as Band "D" equivalents in the Council's Tax base calculations in section 8.3 below.

4. DISCOUNTS

4.1 Second Homes

4.1.1 There are some 2,246 second homes in the borough. The Council does not offer a discount on second homes which adds 2,662 Band "D" equivalents to the tax base for 2017/18. These discounts are included in Section 7.3 below.

4.1.2 Based upon 2016/17 Council Tax levels this generates income to the Council of £1.9m. 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 513 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 628 Band "D" equivalents to the tax base for 2017/18.

4.2.2 Based upon 2016/17 Council Tax levels this generates income to the Council of £0.5m. This income also directly benefits the GLA.

5. EMPTY HOMES PREMIUM

- 5.1 There are some 74 properties in the borough that have been empty for more than two years. The effect of charging a 50% premium on these properties adds an additional 43 Band "D" equivalents to the taxbase for 2017/18. These premiums are included in Section 7.3 below
- 5.2 This equates to additional income for the Council (net of preceptors) of approximately £31k (based on the 2016/17 Band D Council Tax).

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 2016/17 the Council has provided for a total of £11.9m in Council Tax Support discounts. This equates to 11,846 band "D" equivalents based on 2016/17 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 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 14 October 2016.
- 7.2 This return reflected the actual number of properties shown in the Valuation List as at 12 September 2016 and the Council's records as at 3 October 2016.
- 7.3 A detailed analysis of the properties in each valuation band can be summarised as follows. There are a total of 86,793 dwellings on the list with some 28,265 properties estimated to receive a single persons discount. The total Band "D" equivalent is approximately 89,621.4 properties.

Band	Band Size	Total Dwellings	Total after Discounts, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
A	Values not exceeding £40,000	3,803	2,932.8	6/9	1,955.2
B	Values exceeding £40,000 but not exceeding £52,000	6,361	4860.8	7/9	3,780.6
C	Values exceeding £52,000 but not exceeding £68,000	14,237	12,116.0	8/9	10,769.8
D	Values exceeding £68,000 but not exceeding £88,000	24,532	21,806.5	9/9	21,806.5
E	Values exceeding £88,000 but not exceeding £120,000	15,364	14,050.0	11/9	17,172.2
F	Values exceeding £120,000 but not exceeding £160,000	9,217	8,550.3	13/9	12,350.4
G	Values exceeding £160,000 but not exceeding £320,000	10,965	10,385.8	15/9	17,309.7
H	Values exceeding £320,000	2,314	2,238.5	18/9	4,477.0
		86,793	76,940.7		89,621.4

8. ADJUSTMENTS TO THE VALUATION LIST

- 8.1 The above table shows the valuation band position at 12 September 2016 but the Council is also required to take into account the Council Tax Support Scheme and any other likely changes during the financial year 2016/17. 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 499 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2017/18. It is estimated after allowing for different completion dates that this will equate to an additional 502 Band 'D' equivalents. In addition the Council is undertaking a business intelligence project to identify properties that are not currently on the valuation list. It is estimated that this will add a further 138 Band D equivalent properties. Overall the allowance for new properties is 640 Band D properties.
- (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 undertakes a review of single person discounts being awarded to taxpayers each year. The next review will be commenced in June 2017 and based on previous reviews it is estimated that a further 1,169 discounts will be removed which will add an additional 292 Band "D" equivalents to the tax base for 2017/18.
- (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 822 Band "D" equivalents is required.
- (v) Council Tax Support
The cost of the scheme equates to 11,846 band "D" equivalents, based on 2016/17 Council Tax levels, which now have to be deducted from the tax base for 2017/18. This is less than the deduction of 12,241 Band D equivalents made in 2016/17. This is due to a reduction in the number of claimants applying for a discount and the impact of the 1.9% overall reduction in 2016/17 Council Tax.

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 2016	Adjustments for New Properties	Adjustments for Student Exemptions	Adjustments for Single Person Discounts	Adjustments for Council Tax Support	Revised Band "D" Equivalents 2017/18 Forecast
A	1,955.2	0	-41	13	-578	1,348.9
B	3,780.6	34	0	24	-1,220	2,618.3
C	10,769.8	106	-133	58	-2,759	8,042.0
D	21,806.5	193	-261	89	-3,619	18,208.8
E	17,172.2	74	-180	49	-2,160	14,955.4
F	12,350.4	114	-142	27	-968	11,381.2
G	17,309.6	40	-63	28	-522	16,793
H	4,477.0	79	-2	4	-20	4,537
	89,621.3	640	-822	292	-11,846	77,885.2

9. COLLECTION RATE

- 9.1 The Council is also required to estimate its Collection Rate for 2017/18 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2017/18, 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 2016/17 achieved to the end of October 2016 is 65.1%, comprising cash collection of £50.5m and Council Tax Support of £11.9m. It is estimated that a further £24.4m (31.4%) will need to be collected by 31 March 2017 and £0.8m (1%) thereafter.
- 9.4 Collection performance has been calculated in order to comply with DCLG performance indicator calculations. Latest calculations for 2015/16 and 2016/17 show that the current collection rate can be continued for 2017/18. It is therefore suggested that the collection rate for 2017/18 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)			
77,885	x	97.5%	= 75,938

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 (NNDR1). The detailed guidance on completing the NNDR1 is not likely to be issued until just before Christmas. This guidance will include allowance for any changes to the business rates system that might be 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 Cabinet Member for Finance, in consultation with the Strategic Finance Director.
- 11.4 A business rates revaluation is effective from 1 April 2017. The initial data provided by the Valuation Office indicates a 36% headline increase in rateable values. This increase is not uniform and depends on the type of business and location within the borough. Transitional relief arrangements will apply but details are not yet confirmed. The impact of the revaluation will further complicate the preparation of the NNDR1. In particular the level of appeals is likely to increase and the Council will need to make sure it has set aside an adequate provision.

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 24 February 2017.

14.2 The proposed Council Tax Base for 2017/18 of 75,938 is 1,897 Band D equivalents higher than the 74,041 agreed for 2016/17. The main reasons for this change are set out below:

	Band D Change
Increase in the tax base due to new non exempt properties	1,172
Reduction in Single Persons Discounts	379
Reduction in Council Tax Support scheme discounts	395
Gross Total Change	1,946
Adjusted for Collection rate of 97.5%	-49
Total change	1,897

14.3 Based on 2016/17 Council Tax levels the increase in the taxbase will generate additional income of £1.38m for Hammersmith and Fulham and £0.52m for the Greater London Authority

14.4 The cost of the local council tax support scheme is based on current Regulations. No allowance is made for potential government welfare reforms due to uncertainty on what changes might be made. This will be treated as a risk within the Medium Term Financial Strategy Process.

14.5 The 2017 business rates revaluation is expected to negatively impact the Council. We will pay extra rates on our properties and will need to set aside extra sums for ratepayer appeals. The Council gets no benefit from the extra income generated, from the 36% revaluation uplift, as it is redistributed to other parts of the country. Figures are draft and clarity is awaited on both transitional arrangements and how the local rates retention scheme will be adjusted. Appropriate adjustments will be made to the Medium Term Financial Strategy when more information is known.

Implications verified/completed by: Andrew Lord, Head of Finance (Budget Planning and Monitoring) Tel: 020 8753 2531

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.

Implications verified by: Rhian Davies, Chief Solicitor, Shared Legal Services, Tel: 020 7641 3630.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	None		