


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">FULL COUNCIL</p> <p style="text-align: center;">24 January 2018</p>	
<p>COUNCIL TAX BASE AND COLLECTION RATE 2018-19 AND DELEGATION OF THE BUSINESS RATE ESTIMATE</p>	
<p>Report of the Cabinet Member for Finance – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification: For Decision Key Decision: Yes</p>	
<p>Consultation: N/A</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Finance Director</p>	
<p>Report Author: Jamie Mullins, Head of Recovery</p>	<p>Contact Details: Tel: 020 8753 1650 E-mail: jamie.mullins@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report is a Statutory requirement and contains an estimate of the Council Tax Collection rate and calculates the Council Tax Base for 2018/19.
- 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 2018/19.
- 1.3 The proposed Council Tax Base for 2018/19 of 77,856 is an increase of 1,918 on the figure agreed for 2017/18 of 75,938.
- 1.4 Based on the 2017/18 Band D charge of £727.81 the increase in the tax base will result in an increased income of £1.4m
- 1.5 The recommendations contained in the Council Tax Support 2018/19 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 4 below.

- 1.6 The Autumn budget 2017 announced that Local Authorities will be able to charge a 100% council tax premium on empty properties equating to 200% of the council tax payable. The administration will have to decide whether to apply this additional charge. It will raise additional estimated income of £0.045m but will require Primary Legislation which is unlikely to be in place for 2018/19.
- 1.7 To delegate authority to the Strategic Finance Director in consultation with the Cabinet Member for Finance, to determine the business rates tax base for 2018/19 as set out in section 4.8 of this report
- 1.8 It is anticipated that a pilot 100% business rates retention pool will be agreed for 2018/19. This could bring an estimated one-off benefit to Hammersmith and Fulham of £2.6m and raise £110m for wider strategic investment across London. The recommendations include agreement by Hammersmith and Fulham to join the pool.

2. RECOMMENDATIONS

- 2.1 That Council approve the following recommendations for the financial year 2018/19:
 - (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 77,856 Band “D” equivalent properties be approved
 - (iv) To delegate authority to the Strategic Finance Director in consultation with the Cabinet Member for Finance, to determine the business rates tax base for 2018/19.
 - (v) To agree that the Council charge a 100% council tax premium on empty properties equating to 200% of the council tax payable. When regulations allow
- 2.2 In relation to the London Business Rates Pooling Pilot the London Borough of Hammersmith and Fulham resolves to:
 - (i) Approve and accept the designation by the Secretary of State as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988.
 - (ii) Participate in the London Business Rates Pilot Pool with effect from 1 April 2018.

- (iii) Delegate the authority's administrative functions as a billing authority in relation to the Non-Domestic Rating (Rates Retention) Regulations 2013, to the City of London Corporation acting as the Lead Authority.
- (iv) Authorise the Lead Authority to sub-contract certain ancillary administrative functions regarding the financial transactions within the Pool to the GLA as it considers expedient.
- (v) Delegate authority to the Chief Finance Officer, to agree the operational details of the pooling arrangements with the participating authorities.
- (vi) Authorise the Chief Finance Officer to make any amendments to the Memorandum of Understanding, attached at Appendix 1, as may be required by the Secretary of State, and to enter into the final Memorandum of Understanding on behalf of the authority.
- (vii) To authorise the Cabinet member for Finance to represent the authority in relation to consultations regarding the London Business Rates Pilot Pool consultative as may be undertaken by the Lead Authority pursuant to the Memorandum of Understanding

3. REASONS FOR DECISION

- 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 2017/18 the Council approved a Council tax Base of 77,885 Band D equivalent dwellings, and an estimated Collection Rate of 97.5%, which resulted in a tax base of 75,938.
- 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 The Autumn budget 2017 announced that Local Authorities will be able to charge a 100% council tax premium on empty properties equating to 200% of the council tax payable. The administration will have to decide whether to apply this additional charge once the Legislation is in place.
- 3.6 Under section 13A of the Local Government Finance act 1992 the council has reduced liability for care leavers up to the age of 25 to nil, after taking into account any entitlement to council tax support.
- 3.7 Council will also be required to approve the recommendations in the Council Tax Support Scheme 2018/19 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 4.5 below.
- 3.8 Agreement is required for Hammersmith and Fulham to join the pilot 100% business rates retention pool.

4. PROPOSAL AND ISSUES

4.1 DISCOUNTS

4.1.1 Second Homes

4.1.1.1 There are some 2,448 second homes in the borough. The Council does not offer a discount on second homes which adds 2,882 Band "D" equivalents to the tax base for 2018/19. These discounts are included in Section 4.4 below.

4.1.1.2 Based upon 2017/18 Council Tax levels this generates income to the Council of £2.1m. 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.

4.1.2 Empty Properties

4.1.2.1 There are some 441 empty (unoccupied and unfurnished) properties in the borough. The Council does not offer a discount for empty properties which adds an additional 547 Band "D" equivalents to the tax base for 2018/19.

4.1.2.2 Based upon 2017/18 Council Tax levels this generates income to the Council of £0.4m. This income also directly benefits the GLA.

4.2 EMPTY HOMES PREMIUM

4.2.1 There are some **107** 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 62 Band "D" equivalents to the tax base for 2018/19. These premiums are included in Section 4.4 below

4.2.2 This equates to additional income for the Council (net of preceptors) of approximately £45k (based on the 2017/18 Band D Council Tax). This would rise to approximately £90k if the council applied the newly announced 100% premium but it is unlikely that this will happen in time for 2018/19.

4.3 COUNCIL TAX SUPPORT

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

4.3.2 For 2017/18 the Council has provided for a total of £11.3m in Council Tax Support discounts. This equates to 11,193 band "D" equivalents based on 2017/18 Council Tax levels.

4.3.3 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 4.5.

4.4. VALUATION BAND PROPERTIES

4.4.1 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 13 October 2017.

4.4.2 This return reflected the actual number of properties shown in the Valuation List as at 11 September 2017 and the Council's records as at 2 October 2017.

4.4.3 A detailed analysis of the properties in each valuation band can be summarised as follows. There are a total of 87,986 dwellings on the list with some 28,652 properties estimated to receive a single person's discount. The total Band "D" equivalent is approximately 90,745 properties.

Band	Band Size	Total Dwellings	Total after Discounts, Exemptions and Disabled Relief	Ratio	Band "D" Equivalents
A	Values not exceeding £40,000	3,800	2,900.5	6/9	1,933.7
B	Values exceeding £40,000 but not exceeding £52,000	6,402.0	4,872.5	7/9	3,789.7
C	Values exceeding £52,000 but not exceeding £68,000	14,301.0	12,172.8	8/9	10,820.3
D	Values exceeding £68,000 but not exceeding £88,000	24,687.0	21,865.8	9/9	21,865.8
E	Values exceeding £88,000 but not exceeding £120,000	15,782.0	14,355.8	11/9	17,546.0
F	Values exceeding £120,000 but not exceeding £160,000	9,501.0	8,765.3	13/9	12,661.0
G	Values exceeding £160,000 but not exceeding £320,000	11,108.0	10,482.5	15/9	17,470.8
H	Values exceeding £320,000	2,405.0	2,329.0	18/9	4,658.0
	Total	87,986	77,744		90,745.3

4.5. ADJUSTMENTS TO THE VALUATION LIST

4.5.1 The above table shows the valuation band position at 11 September 2017 but the Council is also required to take into account the Council Tax Support Scheme and any other likely changes during the financial year 2018/19. 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 646 units currently under construction on various sites in the Borough that will be added to the tax base sometime during 2018/19. It is estimated after allowing for

different completion dates that this will equate to an additional 693 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 undertakes a review of single person discounts being awarded to taxpayers each year. The current review has commenced in October 2017 and based on previous reviews it is estimated that a further 1,319 discounts will be removed which will add an additional 359 Band "D" equivalents to the tax base for 2018/19.
- (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 740 Band "D" equivalents is required.
- (v) Council Tax Support
The cost of the scheme equates to 11,193 band "D" equivalents, based on 2017/18 Council Tax levels, which now have to be deducted from the tax base for 2018/19. This is less than the deduction of 11,846 Band D equivalents made in 2017/18. This is due to a reduction in the number of claimants applying for a discount.
- (vi) Care Leavers
For 2017/18, the council has provided £12k in discounts for care leavers up to the age of 25. This equates to 12 band D equivalents based on 2017/18 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 in section 4.5.3

4.5.2 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.

4.5.3 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	Adjustments for New Properties	Adjustments for Student Exemptions	SPD	Adjustments for Council Tax Support Scheme	Care Leavers	Revised Band "D" Equivalents
A	1,933.7	0	-14	11	-528	-2	1,400.2
B	3,789.7	36	-25	22	-1150	-4	2,668.9
C	10,820.2	39	-98	54	-2606	-4	8,205.2
D	21,865.8	28	-214	108	-3427	-2	18,359.3
E	17,545.9	282	-182	69	-2066	0	15,649.1
F	12,660.9	172	-142	37	-912	0	11,815.4
G	17,470.8	136	-57	51	-486	0	17,114.6
H	4,658.0	0	-8	7	-17	0	4,639.6
	90,745.3	693	-740	359	-11,193	-12	79,852

4.6 COLLECTION RATE

- 4.6.1 The Council is also required to estimate its Collection Rate for 2018/19 at the same time as arriving at the estimated number of properties within the Tax Base. In arriving at a percentage Collection Rate for 2018/19, the Council should take into account the likely sum to be collected, previous collection experience and any other relevant factors.
- 4.6.2 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.
- 4.6.3 The actual collection rate for 2017/18 achieved to the end of October 2017 is 65.2%, comprising cash collection of £52m and Council Tax Support of £11.3m. It is estimated that a further £25.3m (31.8%) will need to be collected by 31 March 2018 and £0.4m (0.5%) thereafter.
- 4.6.4 Collection performance has been calculated in order to comply with DCLG performance indicator calculations. Latest calculations for 2016/17 and 2017/18 show that the current collection rate can be continued for 2018/19. It is therefore suggested that the collection rate for 2018/19 is maintained at 97.5%.

4.7. THE TAX BASE

- 4.7.1 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.
- 4.7.2 Based on the number of Band "D" equivalents in the table in paragraph 4.5.3 above and the estimated collection rate in paragraph 4.6.4 above, the calculation is as follows:

(Band D equivalents) x (Collection Rate) = (Tax Base)			
79,852	x	97.5%	= 77,856

4.8 BUSINESS RATES TAXBASE

- 4.8.1 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).

4.8.2 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 Budget. 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 Strategic Finance Director in consultation with the Cabinet Member for Finance.

5. CONSULTATION

5.1. No consultation is required

6. EQUALITY IMPLICATIONS

6.1. There are no equality implications in this report.

7. LEGAL IMPLICATIONS

7.1 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.

7.2 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.

7.3 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.

7.4 *Implications verified by: Rhian Davies, Monitoring Officer 020 76412729*

8. FINANCIAL IMPLICATIONS

8.1 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 2018.

8.2 The proposed Council Tax Base for 2018/19 of 77,856 is 1,918 Band D equivalents higher than the 75,938 agreed for 2017/18. The main reasons for this change are set out below:

	Band D Change
Increase in the tax base due to new non-exempt properties	1,365
Reduction in Council Tax Support scheme discounts	653
Small Increase in Single Person Discount resulting from new properties	-51
Gross Total Change	1,967
Adjusted for Collection rate of 97.5%	-49
Total change	1,918

8.3 Based on 2017/18 Council Tax levels, the increase in the tax base will generate additional income of £1.40m for Hammersmith and Fulham and £0.53m for the Greater London Authority

8.4 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.

Pilot 100% Business Rates Retention London Pool

- 8.5 If Hammersmith and Fulham agrees to be part of the pilot the distribution of business rates will change in 2018/19. The pilot will pool business rates across the 33 London Boroughs and GLA. This was formally confirmed in a Memorandum of Understanding on the London 100% business rates retention pilot 2018/19 signed by the Mayor, the Chair of London Councils, the Minister for London and Secretary of State for Communities and Local Government.
- 8.6 At present Hammersmith and Fulham retains 30% of the business rates it collects with the balance paid to the Government and GLA. The share retained by Hammersmith and Fulham would increase to 67%. Under the proposed pilot the Council would not expect to initially benefit from this increase as there would be compensating adjustments (through grant cuts and payment of a tariff to Government).
- 8.7 London will not retain 100% of total collected rates as it will continue to pay an aggregated tariff to government. In moving to 100% rates retention, the DCLG shall not pay Revenue Support Grant (RSG) in 2018/19.
- 8.8 Under the pilot scheme there is a guarantee that no authority will be worse off than under the present scheme. There may also be a future benefit as authorities can retain a higher proportion of London's overall business rates growth. Indicative modelling shows a maximum gain of £2.6m for Hammersmith and Fulham. Should Hammersmith and Fulham agree to be part of the pilot the following needs to be considered:
- It is a pilot and may not continue in the future.
 - the modelling is based on an aggregation of high level estimates.
 - there is a degree of uncertainty on the actual final net income.
 - any final income will not be known till October 2019 in relation to 2018/19
- 8.9 The distribution of net additional benefit through growth in business rates collected in London will, be allocated to Participating Authorities on the basis of the following proportions:
- (i) 15% to incentivise growth by allowing the Participating Authorities where growth occurs to keep a proportion of the additional resources retained as a result of the Pool.
 - (ii) 35% to reflect the Settlement Funding Assessment.
 - (iii) 35% according to each Participating Authority's per capita formulation as calculated by the ONS projection for the relevant year (starting with 2018).
 - (iv) 15% for the Strategic Investment Pool (SIP).

The GLA will be allocated 36% of each of the sums falling in the subparagraphs i-iii above, with the remainder allocated to the Local Authorities.

The GLA have confirmed that their extra funding will be placed in the SIP. The overall SIP is estimated at £109.9m.

8.10 City of London Corporation shall act as the accountable body to Government and administer the Pool and provide a secretariat with the assistance of the GLA and London Councils for assessing the Participating Authorities' applications for the SIP against the criteria set out in the memorandum of understanding.

8.11 Implications verified by: William Stevens, Principal Accountant x6654.

9. IMPLICATIONS FOR BUSINESS

9.1. There are no implications for business

10. IMPLICATIONS PARAGRAPHS

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

11. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	DCLG Return CTB1 (October 2017)	S.Barrett Ext 1053	2 nd Floor, Town Hall Extension

LIST OF APPENDICES:

Appendix 1 – Memorandum of Understanding on the BRR Pool