

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

MEETING OF THE COUNCIL - 18 JANUARY 2012

ITEM 8(i) - SUBMISSION FROM THE CABINET

COUNCIL TAX BASE 2012-13

This report seeks Council's approval to confirm the use of the Local Government Act 2003 Council Tax discount powers and, subject to this, to approve the tax base for 2012-13.

The report sets out the method used for calculating the tax base both with and without use of the discount powers. It indicates the tax base for the Royal Borough as a whole of **99,699** Band D equivalents, and for individual tax bases for the areas where special garden square levies apply.

FOR DECISION

1 COUNCIL TAX DISCOUNT POWERS

- 1.1 The Local Government Act 2003 gave local authorities the local option from 1st April 2004, to reduce the second home Council Tax discount from 50 per cent to a minimum of 10 per cent, reduce or remove the long-term empty home Council Tax discount from 50 per cent down to a minimum of 10 per cent and reduce the amount payable in either individual cases or classes of cases.
- 1.2 In setting its Council Tax base for the last eight years (2004-05 – 2011-12) the Council made the decision to reduce both the second and long term empty home discount to 10 per cent. In January 2011, the Council confirmed these decisions for future financial years until varied or revoked and it is not proposed to make any change for 2012-13.
- 1.3 The arguments in favour of a reduced discount for second homes remain:
 - The ability to spread costs over a wider tax base so the Council Tax can be lower for any given level of expenditure.
 - Encouraging housing in the Royal Borough to be as well used as possible, avoiding any suggestion of financial incentives for property to be underused.
 - Public consultation supported it.

- Higher Council Tax for second homes could be viewed in part as a proxy contribution from the transient and hard to count resident population most likely to have been undercounted by the 2001 Census.
 - From an equalities point of view, the change in the level of discount should not cause any significant financial hardship to the owners of second homes affected by the charge. Owners of second home properties are unlikely to be among the Royal Borough's lower income groups. Over half of the Royal Borough's second homes are in Bands G and H.
- 1.4 The rationale for reducing the empty homes discount remains mainly a matter of housing policy. It creates a financial incentive for householders to restrict the periods that homes are empty and would support the Council's policy of encouraging owners to bring empty homes back into use.
- 1.5 The decision has been taken not to use the power to reduce the amount payable in either individual cases or classes of case. It is not proposed to use the power for 2012-13.
- 1.6 The Government is consulting on amending these powers to offer Councils the option of allowing no discount at all on second homes and some government defined classes of empty homes. The earliest financial year in which this will take effect is 2013-14. Were the Council to choose to remove these discounts entirely, for the current rate of Council Tax and assuming no additional losses on collection, it could potentially raise a maximum additional £1.9 million.

2 2012-13 COUNCIL TAX BASE

Methodology

- 2.1 The starting point for determining the Council Tax base is the property band valuation list supplied by the Valuation Office Agency.
- 2.2 The total number of dwellings in each band is reduced by exemptions and discounts. Discounts include, for example, reductions for one-adult households, households with one or more students and dwellings containing people who are discounted under Council Tax legislation.
- 2.3 The reduced discount on long-term empty properties is taken into account in the Council Tax base for the purposes of distributing Revenue Support Grant (and reduces grant).
- 2.4 **Appendix A** sets out the numbers of properties in each Council Tax valuation band and the discounted Band D equivalents.

Assumptions

- 2.5 Discounted Band D equivalents are based on a 'snapshot' of the Council Tax List with exemptions, disregards and discounts based on occupancy at the end of November 2011. This can and does change during the year. The following factors and assumptions must also be taken into account:
- **Non-Collection** – It is assumed that the 2011-12 estimate of non-collection of 1.5 per cent will continue on all properties excluding second homes. This assumption is based on the eventual percentage expected to be collected after approximately six years.
 - **Appeals** – Outstanding appeals, if upheld, can reduce the Council Tax base. The number of appeals outstanding remains negligible and it is assumed that no adjustment is required for 2012-13.
 - **Changes in entitlement to discounts, exemptions and disregards.** These will occur throughout the financial year and may result in either an increase or decrease in the Council Tax base. The basic assumption is a 1.0 per cent reduction, based on historical trends. This includes a continuing reduction in the number of properties categorised as second homes for Council Tax purposes.
- 2.6 The combined effect of all these assumptions is to give an overall collection rate of **97.5 per cent**.
- 2.7 The Council continues both to pursue collection vigorously and to make it easier to pay through facilities for payment via the Internet and automated telephone calls. The Council remains committed to the pursuit of payment, for example through the 'visiting' programme to check the status of properties, and court fees for non-payment.
- 2.8 Based on the assumptions set out above and with the continued use of the discount powers, the 2012-13 adjusted Band D equivalent tax base is **99,699**. **Appendix A** sets out the tax base calculation and also shows the tax base without the reduced discount for second homes (column (6)). The result of the equivalent calculation for each of the areas to which a special garden square levy applies is set out in **Appendix B**. This includes the impact of the 10 per cent discount for second homes and long term empty property.

3 FINANCIAL, LEGAL, PERSONNEL AND DIVERSITY IMPLICATIONS

- 3.1 The financial implications are included within the report. The tax base has marginally increased from 2011-12.
- 3.2 The Local Government Act 2003 brought changes to the way Council Tax discounts are applied in respect of second homes and long-term empty properties. In accordance with the Constitution a decision to exercise these powers has already been made by full Council.
- 3.3 The authority is also required to determine the Council Tax base, before 31 January, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 as amended by the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003.
- 3.4 There are no personnel or diversity implications arising from this report.

4 RECOMMENDATIONS

- 4.1 Council is recommended to approve that:
- (i) The current level of discount to be applied in respect of second homes and empty homes remains at 10 per cent and will remain at that level until varied or revoked.
 - (ii) No locally determined discounts are applied for 2012-13, nor future financial years, until varied or revoked.
 - (iii) The Council Tax base for 2012-13 is **99,699** (taking into account collection rate loss assumptions) as set out in Column 8 of **Appendix A**.
 - (iv) The Council Tax bases for garden square areas are as set out in Column 3 of **Appendix B**.

FOR DECISION

Nicholas Holgate
Town Clerk and Executive Director of Finance

Background Papers

Local Authorities (Calculation of Council Tax Base) Regulations 1992 (Statutory Instrument 1992 No. 612) as amended by The Local Authorities (Calculation of Council Tax Base)(Amendment)(England) Regulations 2003 (Statutory Instrument 2003 No. 3012).

Officer Contacts:

Jess Laing, Corporate Finance Manager, 020 7361 2427, jess.laing@rbkc.gov.uk
Anita Murray, Revenues Services Policy and Control Manager, 020 7361 2539,
anita.murray@rbkc.gov.uk

APPENDIX A

WHOLE BOROUGH TAX BASE CALCULATION 2012/13

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|------------------------|------------------|---------------------------------------|---|------------|--------------------|---|----------------------------------|----------------------------|
| Band | No. of Dwellings | Exemptions, Disregards and Discounts* | No. of dwellings after disregards, exemptions and discounts | Band ratio | Band D Equivalents | Add Back Band D equivalent 2nd Home Discount Reduced to 10% | Total Band D Equivalents 2012/13 | Band D Equivalents 2011/12 |
| A | 1,464 | 390 | 1,074 | 6/9 | 716 | 24 | 739 | 677 |
| B | 3,568 | 822 | 2,746 | 7/9 | 2,136 | 27 | 2,163 | 2,138 |
| C | 9,250 | 1,915 | 7,335 | 8/9 | 6,520 | 143 | 6,663 | 6,596 |
| D | 13,643 | 2,987 | 10,656 | 1 | 10,656 | 301 | 10,957 | 10,946 |
| E | 13,238 | 2,599 | 10,639 | 11/9 | 13,003 | 432 | 13,436 | 13,354 |
| F | 11,805 | 2,267 | 9,538 | 13/9 | 13,777 | 544 | 14,321 | 14,335 |
| G | 19,535 | 3,699 | 15,836 | 15/9 | 26,393 | 1,427 | 27,821 | 27,925 |
| H | 14,536 | 2,035 | 12,501 | 18/9 | 25,002 | 1,102 | 26,105 | 26,055 |
| Class O | | | | | 50 | | 50 | 50 |
| Subtotal | 87,039 | 16,714 | 70,325 | | 98,253 | 4,000 | 102,254 | 102,076 |
| Collection Loss | | | | | (2,456) | (100) | (2,555) | (2,550) |
| Net Taxbase | | | | | 95,797 | 3,900 | 99,699 | 99,526 |

| Exemptions, Disregards and Discounts | Relief | Reduction in Dwelling | |
|--------------------------------------|--------|-----------------------|-------|
| | | No | No |
| Exempt properties* | 100% | 4,490 | 4,490 |
| Single adult households | 25% | 34,292 | 8,574 |
| Single disregards | 25% | 696 | 174 |
| Double disregards | 50% | 68 | 34 |
| Second Homes (basic element only) | 50% | 6,672 | 3,336 |
| Long term empty homes | 10% | 1,062 | 106 |
| | | 16,714 | |

*Exempt properties includes empty properties having structural repairs, empty unfurnished, student residences, empty property previously occupied by people now in prison or receiving personal care other than in hospital or a home permanently living in a hospital or home, someone who has died, Ministry of Defence and visiting forces accommodation, property only lived in by foreign diplomats or people under 18.

All totals have been rounded to the nearest whole number.

Class O exempt dwellings receive a contribution from the Ministry of Defence in lieu.

Includes second homes and long term empty homes at 10% discount.

Appendix B

| ROYAL BOROUGH COUNCIL TAX - GARDEN SQUARES KENSINGTON IMPROVEMENT ACT 1851 | | |
|---|----------------------------------|-------------------------------|
| (1) | (2) | (3) |
| CODE | GARDEN SQUARE | BAND D EQUIVALENTS |
| 900 | Addison Gardens | 130 |
| 901 | Arundel Gardens/Ladbroke Gardens | 251 |
| 902 | Avondale Park Gardens | 29 |
| 904 | Barkston Gardens | 254 |
| 906 | Bina Gardens (West) | 189 |
| 907 | Bolton Gardens | 116 |
| 908 | Bramham Gardens | 398 |
| 909 | Brompton Square | 186 |
| 912 | Campden Hill Square | 87 |
| 913 | Campden House Court | 222 |
| 914 | Clarendon Road/Lansdowne Road | 52 |
| 915 | Collingham Gardens | 189 |
| 916 | Cornwall Gardens | 654 |
| 917 | Courtfield Gardens (East) | 213 |
| 918 | Courtfield Gardens (West) | 422 |
| 921 | Earls Court Square | 291 |
| 922 | Edwardes Square | 248 |
| 925 | Gledhow Gardens | 261 |
| 928 | Hereford Square | 76 |
| 929 | Holland Road/Russell Road | 196 |
| 930 | Hornton Street/Holland Street | 115 |
| 933 | Iverna Court | 221 |
| 936 | Kensington Square | 118 |
| 939 | Lexham Gardens | 298 |
| 942 | Moreton and Cresswell Gardens | 100 |
| 944 | Nevern Square | 302 |
| 945 | Norland Square | 178 |
| 948 | Ovington Square | 173 |
| 951 | Pembridge Square | 203 |
| 952 | Philbeach Gardens | 314 |
| 955 | Royal Crescent | 182 |
| 958 | St James's Gardens | 150 |
| 959 | Stanley Crescent | 187 |
| 960 | Stanley Gardens (North) | 125 |
| 961 | Stanley Gardens (South) | 169 |
| 962 | Sunningdale Gardens | 28 |
| 965 | Wetherby Gardens | 360 |

| ROYAL BOROUGH COUNCIL TAX - GARDEN SQUARES TOWN GARDENS PROTECTION ACT 1863 | | |
|--|----------------------------------|-------------------------------|
| CODE | GARDEN SQUARE | BAND D EQUIVALENTS |
| 975 | Arundel Gardens/Elgin Crescent | 278 |
| 977 | Blenheim Crescent/Elgin Crescent | 265 |
| 978 | Emperor's Gate | 261 |
| 979 | Ladbroke Grove | 54 |
| 980 | Rosmead Gardens | 144 |
| 981 | Lansdowne Gardens | 167 |
| 982 | Hanover Gardens | 147 |
| 984 | Montpelier Gardens | 125 |
| 986 | Notting Hill | 38 |