

ACTION 1: Levels of flexibility for the Council around Council Tax Charges and Bands

1.0 Legal Framework

- 1.1 Council Tax was introduced by the Local Government Finance Act 1992, with effect from 1 April 1993. The tax is based on property valuations, grouped into bands based on values as at 1 April 1991. Responsibility for valuation lies with the listing officer of the Valuation Office Agency of HMRC.
- 1.2 The valuation bands, and the relative proportions of the bands to which properties are allocated, are described in Section 5 of the Act.
- 1.3 Billing authorities are required to bill and collect on the basis of bands and have no power to vary these.
- 1.4 The Act provides for a number of exemptions, disregards and discounts which can reduce the amount payable
- 1.5 Billing authorities were given limited power to vary specified discounts and the Council chose to do this. At the Council Meeting on 30 January 2013 Council agreed that:
 - a. a premium of 50% in addition to the Council Tax be charged to owners of homes which have been unoccupied and substantially unfurnished for two years or more.
 - b. the exemption period of 6 months available to owners of vacant, habitable property be replaced with a discount of 100% for the first month with the full charge payable after that.
 - c. the exemption period of 12 months available to owners of vacant properties which are either uninhabitable or undergoing structural alteration be replaced with a discount of 25% for 12 months.
 - d. that the discount for owners of second home owners and for landlords of furnished properties without a tenant be reduced from 10% to zero.
- 1.6 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill is currently making its way through Parliament. This proposes to give Billing authorities further powers to increase the long-term empty premium to 100% from 1 April 2019, and outlines proposals for further increases in the following 2 years.
- 1.7 Billing authorities also have power under Section 13a of the Act to reduce an amount of Council Tax as it sees fit, including down to zero, in relation to particular cases or to a defined class of cases. At Cabinet on 18 September 2017 it was resolved to adopt the following classes under Section 13a

Exceptional cases, subject to meeting agreed criteria

- (a) Class 1:** A discretionary reduction may be awarded to a taxpayer where s/he is forced to leave their main home in Hackney unoccupied due to serious damage caused by external environmental factors beyond their control. It will be awarded for a maximum of 12 months. Examples include flooding and street subsidence. The reduction is payable up to a maximum 100% of the council tax liability

(b) Class 2: A discretionary reduction may be awarded to a taxpayer where s/he is forced to leave their main home in Hackney as a result of domestic violence (but are still the owner / tenant) and have moved to a second property, potentially leaving them liable for CT on two properties. Any award given to any case may finish at the end of the council tax year that the application relates to. A further application may be needed for future years. The reduction is payable up to a maximum 100% of the council tax liability

(c) Class 3: A discretionary reduction (Care Leavers reduction) will be awarded to any care leaver formerly in Hackney's care aged 18 to 25, who resides in the borough, and is liable to pay Council Tax to Hackney Council. The reduction will reduce the amount of council tax a care leaver will have to pay, after the deduction of any Council Tax Support and any other national reliefs such as the single person discount; to nil

2.0 Charges and Referendums

2.1 When considering any level of tax increase, we must be mindful of the referendum rules. For 2019/20, the Government is proposing the following rules: -

- a core principle of up to 3%. This would apply to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities.
- a continuation of the Adult Social Care (ASC) precept, with an additional 2% flexibility available for shire county councils, unitary authorities, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly. This is subject to total increases for the Adult Social Care precept not exceeding 6% between 2017-18 and 2019-20, and consideration of authorities' use of the Adult Social Care precept in the previous years.

2.2 Under these rules, we have the flexibility to levy a core increase of 3% and an ASC precept increase of 2%. So, the maximum increase we could levy in 2019/20 is 5%.

- 2.3 The table below shows the impact of different council tax increases on council tax income over the period 2019/20 to 2021/22. The tax base used throughout is set to the 2018/19 value (71,145) and the collection rate is assumed to be 95%.

Tax Increases and Income

Annual Council Tax Increase	Cumulative Income		
	2019/20 £m	2020/21 £m	2021/22 £m
3%	2.3	4.7	7.1
4%	3.1	6.3	9.6
5%	3.8	7.9	12.1

- 2.4 As can be seen, an annual increase of 5% will reduce the budget gap by £5m more than a 3% increase over the period. It also shows that a 5% increase generates £12.1m income over the period as compared to a tax level frozen at its 2018/19 level.
- 2.5 In addition, and as set out in **Appendix 1** we have undertaken further analysis on the impact upon individual households of any increase at the 4% level in receipt or otherwise of Council Tax Reduction Scheme (CTRS) support. An updated “league table” in respect of the level of Council Tax across the London Boroughs is attached along with other key statistics.
- 2.6 As well as consideration of the level of rise to be implemented across the period, we have also explored the possibility of offering a voluntary contribution scheme for residents living in high value properties, as has been implemented in Westminster and being considered by Islington. The additional income that could be raised by the introduction of such a scheme in Hackney though, is very limited due to the low numbers of properties in the highest Council Tax band (only 47 properties in Band H for example), and we must also take into account the additional costs of administration.
- 2.7 Specifically, in February, the Westminster council leader, Nickie Aiken, wrote to all residents in the most expensive band H properties to ask them to consider paying an extra £833-a-year “community contribution” to help fund youth clubs, homelessness services and visits to lonely people. It was reported in the Press that after 3 months, only 2% of the households (350 out of 15,600) had stepped forward to pay the additional contribution. This is against the background that residents in Westminster pay the lowest council tax in the country, with band H payments of £832 (which compares to £2,161 in LBH) a year plus another £588 to the Greater London Authority.