

COUNCIL TAX BASE 2013/14 and BUSINESS RATES FORECAST 2013/14

Reporting Officer: Director of Finance

SUMMARY

This report sets out the proposed Council Tax Base and Business Rates Forecast for 2013/14 in accordance the legislation for approval by the Council. The Council is required to calculate both its Council Tax Base at 30 November 2012 by 31 January 2013 and the Business Rates forecast as at 30th September 2012 by 31 January 2013.

RECOMMENDATIONS: That

- a) the report of the Director of Finance for the calculation of the Council tax Base and the Business Rates Forecast be approved;**
- b) in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 the amount calculated by the London Borough of Hillingdon as its Council tax Base for 2013/14 shall be 87,446.**
- c) the Director of Finance be authorised to submit the 2013/14 NNDR1 return to the Department of Communities & Local Government (CLG) and the Greater London Authority (GLA) in line with the business rates forecast contained within this report.**

COUNCIL TAX BASE

The calculation of the Council Tax Base is prescribed under the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 and represents the equivalent number of Band D Properties within the Borough. The relevant regulations have been changed for 2013/14 so that the tax base calculation now includes a deduction for the equivalent number of Band D properties relating to the proposed Council Tax Reduction Scheme (also being considered as part of this meetings agenda). This change means that local authority tax bases will be significantly lower than in previous years. However the reduction is compensated by a new Council Tax Support specific grant which the government has calculated based upon 90% of the Councils existing Council Tax Benefit expenditure. The Local Government Finance Settlement included a sum of £15,605k additional grant for Council Tax Support in 2013/14. The GLA will also receive a grant to reflect their element of the Council Tax Benefit.

The calculation of the Council Tax Base is based upon the following formula:

$$((H-Q+E+J)-Z) \times (F \text{ divided by } G)$$

Where:

H is the number of chargeable dwellings for the band on the relevant day less the number of exempt dwellings on that day;

Q is a factor to take account of the discounts to which the amount of council tax payable was subject on the relevant day;

E is a factor to take account of premiums, if any, to which the council tax payable, was subject on the relevant day;

J is the amount of any adjustment in respect of changes in the number of chargeable dwelling or premiums calculated by the authority;

Z is the total amount that the authority estimates will be applied as a result of the introduction of the Council Tax Reduction Scheme expressed as an equivalent number of chargeable dwellings in that band;

F is the number appropriate to that band which is used in determining the Band D equivalent (i.e. Band A =6, Band B = 7, Band C =8, Band D = 9, Band E = 11. Band F = 13, Band G = 15 and Band H = 18;

G is the number applicable to Band D i.e. 9.

Table 1 sets out a summary of the Council Tax Base for 2013/14 including the estimated collection rate and allowance made for contributions in lieu of Council Tax in respect of Forces Barracks and Married Quarters. The detailed calculation is set out in Appendix A to this report.

TOTAL NUMBER OF BAND D EQUIVALENT PROPERTIES	
Band	Number
A	316
B	2,403
C	13,417
D	34,275
E	18,468
F	12,193
G	6,685
H	706
Total	88,446
Equivalent number adjusted for the estimated collection rate (98%)	-1,769
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	753
Council Tax Base for 2013/14	87,446

Estimated Collection Rate

It is a requirement of the Council Tax legislation for the Council to make an estimate of its collection rate in determining the Council Tax Base. The estimated collection rate is reviewed each year taking account of actual collection trends both in year and over a period of time. For 2012/13 the collection rate was set at 98.7%. For 2013/14 the collection rate needs to take account of the impact of the implementation of the Council Tax Reduction Scheme.

The Council's scheme proposes that the Council Tax reduction will be restricted to the maximum amount of support of 80% of Council Tax Liability. This will affect an estimated 13,230 claimants and the average additional cost per claimant would be £5.46 per week (based upon a Band D property). Approximately 50% of those affected by the new scheme currently pay no Council Tax, and it is therefore likely that collecting and enforcing the payment of the tax will be more difficult. It is therefore proposed to reduce the overall collection rate from 98.7% to 98% to reflect the expected shortfalls in collection.

Changes in Council Tax Base since 2012/13

In calculating the Council Tax Base for 2013/14 the authority has to estimate the various changes that will occur during the financial year. The changes to the calculation of the council tax base through the introduction of the Council Tax Reduction Scheme mean that a like for like comparison with previous years is not directly possible. However there is an estimated increase of 934 in the number Band D properties for 2013/14 on a like for like basis .

Section 106 of the Local Government Finance Act 1992

It is noted that this report falls within the provisions of the Local Government Finance Act 1992. Any member who is two or more months in arrears with his/her Council Tax must declare the fact and not vote on the recommendations in this report.

Impact on 2013/14 General Fund Budget

The factors with the most significant impact upon the Council Tax Base are the increase in the number of properties in the valuation list and the impact of the introduction of the Council Tax Reduction Scheme. The actual impact upon the General Fund budget for 2013/14 of the revised Council Tax base and the Council Tax Support Grant is a small negative variance of £37k compared with the position assumed in the draft budget that went to Cabinet in December 2012. Actual collection rates will be regularly monitored throughout the year for Council Tax.

BUSINESS RATES INCOME FORECAST

The Local Government Finance Act 2012 introduced a mechanism whereby Councils will retain a proportion of business rates as a revenue funding stream. As a result of these changes, the business rates income forecast for 2013/14 will have a direct impact upon the Council's finances and is therefore submitted to Council for approval alongside the Council Tax Base.

The Business Rates Income forecast for 2013/14 has been derived from the rateable values shown on the Council's local rating list as at 30 September. Following allowance for the current levels of both mandatory and discretionary reliefs, the Council anticipates a gross yield of £348,841,683. From this amount the Council will retain £598,040 to cover the costs of collection.

This gross yield has then been further adjusted to take account of the impact of appeals currently outstanding with the Valuation Office, expected losses in collection and anticipated movement in rateable value.

Allowance for appeals: Both outstanding and potential appeals represent a significant risk to business rates income with 1,225 appeals currently outstanding on 1,013 properties. While these appeals are estimated to put approximately £30m income at risk, a desktop review of these cases indicates a recommended level of provision of **£12,558,301** or 3.6% of total gross yield.

Losses in Collection: Further provision of **£4,360,521** or 1.25% of gross yield has been included in this forecast to take account of risks around non-collection. This figure is consistent with the actual collection rate of 98.93% achieved in 2011/12.

Other Movements/Growth: This forecast does not include any allowance for growth in the business rates base during 2013/14, as experience over 2011/12 and 2012/13 indicates the recession is impacting upon business rate income within Hillingdon.

Having adjusted for these risk items, the net yield from business rates within the borough is therefore forecast at **£331,324,821**.

The changes contained in the Local Government Act 2012 permits Local Authorities to retain a proportion of these locally collected business rates and the proportion has been set at 50%. However, the 50% retained locally within London will be shared with the GLA, 30% retained in Hillingdon and 20% going to the GLA.

Following deduction of these other shares, the Council's share of business rates income will be **£99,397,446**.

The Council is required to submit a certified NNDR1 return, containing a more detailed analysis of this business rates forecast, to both CLG and GLA by 30 January 2013. A recommendation to delegate authority to the Director of Finance to submit this return is included in this report.

Impact on 2013/14 General Fund Budget

The draft revenue budget approved by Cabinet on 20 December 2012 assumed that the Council would enter this new funding system in 2013/14 at a breakeven position. Following receipt of the draft Local Government Finance Settlement this position has now been confirmed, with this forecast representing an overall growth of **£118,461**.

The 2013/14 Local Government Finance Settlement included a Business Rates Baseline for the Council, which totalled **£99,278,985**. Any income above this level represents growth, which subject to a levy of 50%, will be retained by the Council

over and above the resources contained within the Local Government Finance Settlement.

Following the required levy payment, the Council will be able to retain an additional **£59,231** income in 2013/14. This sum will be included in the revised budget report to Cabinet for approval in February 2013.

Finance Implications

Financial Implications are included in the body of the report.

Legal Implications

The Borough Solicitor reports that the legal implications are contained in the body of the report.

Background papers: none