

COUNCIL TAX BASE 2014/15 and BUSINESS RATES FORECAST 2014/15

Reporting Officer: Corporate Director of Finance

SUMMARY

1. This report sets out the proposed Council Tax Base and Business Rates Forecast for 2014/15 in accordance with the legislation for approval by the Council. The Council is required to calculate both its Council Tax Base as at 30 November 2013 by 31 January 2014 and the Business Rates forecast by 31 January 2014.

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 2014/15 shall be 89,248.
- c) the Corporate Director of Finance be authorised to submit the 2014/15 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.
- d) the continuation of the Council Tax Reduction Scheme in 2014/15, approved by Council on 17 January 2013, be noted.

COUNCIL TAX BASE

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

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

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.

- 2.2 Table 1 sets out a summary of the Council Tax Base for 2014/15 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.

Table 1 Total Number of Band D equivalent properties.	
Band	Number of properties
A	320
B	2,459
C	13,896
D	35,036
E	18,936
F	12,277
G	6,865
H	719
Total	90,508
Equivalent number adjusted for the estimated collection rate (98%)	-1,810
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	550
Council Tax Base for 2014/15	89,248

Estimated Collection Rate

3. 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 2014/15 the collection rate remains the same as 2013/14 at 98%. Actual collection rates will be regularly monitored throughout the year for Council Tax.

Changes in Council Tax Base since 2013/14

4. In calculating the Council Tax Base for 2014/15 the authority has to estimate the various changes that will occur during the financial year. Including the estimate of awards to be made for Council Tax Reduction Scheme there is an estimated

increase of 1,802 in the number Band D equivalent properties for 2014/15 compared with 2013/14.

Section 106 of the Local Government Finance Act 1992

5. 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.

Council Tax Reduction Scheme

6. The Local Council Tax Reduction (CTR) Scheme was approved by Council 17 January 2013 for a 2 year period until March 2015 to award localised council tax support for those residents who the council considers to be in financial need. During 2013/14, a total of £18,746k is forecast to be provided for CTR to 13,248 residents. The CTR scheme covers up to 80% of a claimants council tax liability, the remaining 20% is payable by the claimants for the majority of working age adults. A review of the CTR scheme during the first year of operation did not reveal any key issues requiring change and it is therefore proposed to maintain the current scheme for the financial year 2014/15. Slight amendments will be made to the scheme rules and definitions to reflect recent DCLG guidance. Assuming the scheme will continue, an in depth review will be undertaken during 2014 based upon a full years experience both locally and nationally and a revised scheme would then be developed for agreement by Council for the following year, 2015/16.

Impact on 2014/15 General Fund Budget

- 7.1 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 Council Tax Reduction Scheme. The actual impact upon the General Fund budget for 2014/15 of the new Council Tax base is an increase of 1,802 Band D equivalents properties generating £2,006k in additional funding for the General Fund in 2014/15 compared to 2013/14.
- 7.2 The draft 2014/15 budget approved by Cabinet on 19 December 2013 assumed growth of 1,500 properties, with the latest forecast adding 302 properties to this sum and resulting in additional income of £336k to the Council's General Fund. This increase primarily relates to updated assumptions regarding the likely level of exemptions during 2014/15.

BUSINESS RATES INCOME FORECAST

- 8.1 The Local Government Finance Act 2012 introduced a mechanism whereby Councils will retain a proportion of business rates as a revenue funding stream and as a result, the business rates income forecast for 2014/15 has a direct impact upon the Council's finances and is therefore submitted to Council for approval alongside the Council Tax Base.

- 8.2 The Business Rates Income forecast for 2014/15 has been derived from the rateable values shown on the Council's local rating list as at 30 September, adjusted for expected growth in the base to 31 March 2015. Following allowance for the current levels of both mandatory and discretionary reliefs, the Council anticipates a gross yield of £361,840k.
- 8.3 This gross yield has been adjusted to provide £2,714k for losses in collection, representing a collection rate of 99.25% and £6,000k against appeals currently outstanding with the Valuation Office. In addition the Council will retain £610k to cover the costs of administration and collection, resulting in forecast a net yield of £352,516k from business rates within the borough in 2014/15.
- 8.4 The Local Government Act 2012 permits the retention of 50% of revenues nationally within the local government sector. As a London Borough, 20% of income is passported to the GLA while 30%, £105,755k, is notionally retained by Hillingdon however, this sum is then adjusted downwards by the £59,158k tariff to reflect historic levels of central government funding.
- 8.5 The remaining £46,251k of income is separated into the £42,055k baseline level of funding, as determined by central government and £4,542k growth, which is subject to a levy of 50%. After taking account of this levy, the Council retains £44,326k of business rate income, including £2,271k of growth.
- 8.6 The Council is required to submit a certified NNDR1 return, containing a more detailed analysis of this business rates forecast, to both DCLG and GLA by 31 January 2014. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report.

Impact on 2014/15 General Fund Budget

- 9.1 The £44,326k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2013, an increase of £3,015k from 2013/14. £2,212k of this increase represents the retained growth arising from the new developments in the borough and is available to support local services. The remaining £803k represents the 2% uplift in business rates, the proceeds of which are retained by central government through a topslice on the Council's Revenue Support Grant.
- 9.2 The draft 2014/15 budget approved by Cabinet on 19 December 2013 included retained growth of £3,159k however this has been reduced by £888k to take account of latest intelligence from the Valuation Office Agency on the likely profile of new sites coming on stream during 2014/15. As this change relates in growth merely being delayed, rather than not occurring, medium-term assumptions around growth in the business rate base are unaffected. In addition, confirmation of the inflation rate being applied to the business rate baseline in the December provisional Local Government Finance Settlement resulted in the transfer of £23k funding into Revenue Support Grant, thus resulting in a net movement of £865k on retained business rate income.

Financial Implications

10. The latest forecasts for both Council Tax and NNDR revenues in 2014/15 replace earlier assumptions included within the draft budget published for public consultation in December 2013. An increase of £336k in Council Tax revenues and a deferral of £865k of NNDR growth into 2015/16 will result in a net reduction of £529k in available funding from the figures quoted in December draft budget. However as this will be managed within the net surplus of £918k reported there will be no impact on either service delivery or the level of savings required to deliver a balanced budget.

Legal Implications

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

Background papers: none