

COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2017/18

Reporting Officer: Corporate Director of Finance

SUMMARY

This report sets out the proposed Council Tax Base and Business Rates Forecast for 2017/18 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 2016 by 31 January 2017 and the Business Rates forecast by 31 January 2017. This report also notes the impact of introducing a Council Tax Long Term Empty Property Premium with effect from 1 April 2017.

RECOMMENDATIONS: That

- a) the report of the Corporate 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 2016/17 shall be 97,220.
- c) the Corporate Director of Finance be authorised to submit the 2017/18 NNDR1 return to the Department of Communities & Local Government (CLG) and the Greater London Authority (GLA).

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 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 2017/18 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	437
B	2,867
C	16,313
D	37,858
E	19,673
F	12,766
G	7,240
H	832
Total	97,986
Equivalent number adjusted for the estimated collection rate (98.5%)	-1,470
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	704
Council Tax Base for 2017/18	97,220

CHANGES IN COUNCIL TAX BASE SINCE 2016/17

In calculating the Council Tax Base for 2017/18 the authority has to estimate the various changes that will occur during the financial year, which result in an increase of 1,450 Band D Equivalent Properties, taking the tax base to the 97,220 outlined in Table 1 above. This movement consists of: 1,400 increase due to new development in the borough and projected changes to the number eligible for discounts, exemptions and reductions; alongside assumed income equivalent to 50 Band D equivalent properties from the introduction of the Empty Property Premium. Assumed Collection Rates have been maintained at 98.5% reflecting current experience.

Long Term Empty Property Premium

Implementation of an Empty Property premium is reflected in 2017/18 income projections, in line with the draft budget proposals approved by Cabinet on 15 December 2016. The Council has the power to levy a 50% premium on Council Tax for properties which have remained vacant and unfurnished for two years, of which there are currently 156 across the borough and numbers have remained consistently above 100 since 2013/14. The draft budget assumes income equivalent to 50 Band D properties from the introduction of such a premium with effect from 1 April 2017.

Impact on 2017/18 General Fund Budget

The actual impact upon Hillingdon's General Fund budget for 2017/18 of the new Council Tax base is an increase of 1,450 Band D equivalents properties generating £1,614k in additional funding for the General Fund in 2017/18 compared to 2016/17. This position reflects the outlook presented within the draft budget considered by Cabinet on 15 December 2016, assuming no increase in the Hillingdon share of Council Tax.

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.

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 and as a result, the business rates income forecast for 2017/18 has 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 2017/18 has been derived from the newly released 2017 local rating list, which will come into force from 1 April 2017. Following allowance for the current levels of both mandatory and discretionary reliefs, the Council anticipates a gross yield of £366,328k.

As the 2017 rating list had only been made available in draft prior to publication of the consultation budget approved by Cabinet in December 2016, Business Rate income had been modelled on the basis of the current 2010 rating list. While the gross yield arising from this new rating list will be lower, the provisional Local Government Finance Settlement published by DCLG in December 2016 confirmed that the Council will be reimbursed for this loss of income, resulting in the net revenues available to support services being unchanged.

A number of new reliefs have been introduced by Government since the introduction of the Business Rate Retention System, for which the Council and other preceptors receive government funding in lieu of forgone income. An additional £2,000k income is projected with regard to the doubling of small business rate relief and support for small businesses. This grant funding will also reimburse the Council for the net cost of any transitional relief granted to businesses to compensate for material changes in rates liabilities.

This gross yield has been adjusted to provide £1,919k for losses in collection, representing a collection rate of 99.5% and £2,000k against appeals currently outstanding with the Valuation Office. The Council will retain £598k to cover the costs of administration and collection, resulting in forecast a net yield of £359,811k from business rates within the borough in 2017/18.

The Local Government Act 2012 permits the retention of 20% revenues by London Boroughs, with the remainder being split between Central Government and the

Greater London Authority. Hillingdon's share of this income therefore amounts to £107,943k. As in previous years, this sum is adjusted downwards by a £51,412k tariff to reflect historic levels of central government funding.

The remaining £56,531k of income is separated into the £44,098k baseline level of funding, as determined by central government and £12,433k growth, which is subject to a levy of 50%. After taking account of this levy, the Council retains £50,314k of business rate income, including £6,216k of growth.

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 2017. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report.

Impact on 2017/18 General Fund Budget

The £50,314k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2017, an increase of £1,754k from 2016/17. £901k of this increase represents the retained growth arising from the new developments in the borough and is available to support local services. The remaining £853k represents the 2.0% uplift in business rates, the proceeds of which are retained by central government through a topslice on the Council's Revenue Support Grant.

As noted above, net revenues available to support local services remains unchanged from the draft budget approved by Cabinet on 15 December 2016, although gross rates collectible from local businesses will be lower due to introduction of the new rating list. The Council will be reimbursed for this loss of income through a reduction in the tariff payable to DCLG.

Financial Implications

The forecasts outlined in this report for both Council Tax and NNDR revenues in 2017/18 were included within the draft budget published for public consultation in December 2016. Income collected during 2017/18 will be closely monitored and any variation from the projections outlined above captured through future refreshes of the Medium Term Financial Forecast process.

Legal Implications

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

BACKGROUND PAPERS: None