

COUNCIL TAX BASE 2015/16 and BUSINESS RATES FORECAST 2015/16

Reporting Officer: Corporate Director of Finance

SUMMARY

This report sets out the proposed Council Tax Base and Business Rates Forecast for 2015/16 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 2014 by 31 January 2015 and the Business Rates forecast by 31 January 2015.

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 2015/16 shall be 91,200.
- 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 2015/16, originally approved by Council on 17 January 2013 be approved.

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 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	310
B	2,273
C	14,325
D	35,728
E	19,283
F	12,516
G	7,071
H	780
Total	92,286
Equivalent number adjusted for the estimated collection rate (98%)	-1,846
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	760
Council Tax Base for 2014/15	91,200

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 2015/16 the collection rate remains the same as 2014/15 at 98%. Actual collection rates will be regularly monitored throughout the year for Council Tax.

Changes in Council Tax Base since 2014/15

In calculating the Council Tax Base for 2015/16 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 1,952 in the number Band D equivalent properties for 2015/16 compared with 2014/15. This movement includes a marginal 4% reduction of 530 Band D equivalent properties in the

cost of the Council Tax Reduction Scheme, reflecting a reduction in households meeting eligibility criteria.

Council Tax Reduction Scheme

The Local Council Tax Reduction (CTR) Scheme was approved by Council 17 January 2013 for an initial two year period until March 2015 to award localised council tax support for those residents who the council considers to be in financial need. A review of the scheme has been undertaken which did not reveal any key issues requiring change and it is therefore proposed to maintain the current scheme, subject to slight drafting amendment for the financial year 2015/16. These amendments have been fully consulted upon. With the roll out of Universal Credit over the next year, substantial changes will be required to the scheme for 2016/17.

During 2015/16, a total of £17,909k is forecast to be provided for CTR to 19,523 households. 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.

Impact on 2015/16 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 Council Tax Reduction Scheme. The actual impact upon the General Fund budget for 2015/16 of the new Council Tax base is an increase of 1,952 Band D equivalent properties generating £2,172k in additional funding for the General Fund in 2015/16 compared to 2014/15. This position remains consistent with the draft budget approved by Cabinet on 18 December 2014.

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 2015/16 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 2015/16 has been derived from the rateable values shown on the Council's local rating list as at 30 November, 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 £376,107k.

As 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 £2,850k income is

projected with regard to the doubling of small business rate relief and support for small businesses.

This gross yield has been adjusted to provide £1,881k 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 £374,467k from business rates within the borough in 2014/15.

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%, £112,340k, is notionally retained by Hillingdon however, this sum is then adjusted downwards by the £60,287k tariff to reflect historic levels of central government funding.

The remaining £46,251k of income is separated into the £42,858k baseline level of funding, as determined by central government and £9,195k growth, which is subject to a levy of 50%. After taking account of this levy, the Council retains £47,858k of business rate income, including £4,597k 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 2014. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report.

Impact on 2015/16 General Fund Budget

The £47,858k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2014, an increase of £2,283k from 2013/14. £1,480k 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. This position remains consistent with the draft budget approved by Cabinet on 18 December 2014.

Financial Implications

The forecasts outlined in this report for both Council Tax and NNDR revenues in 2015/16 were included within the draft budget published for public consultation in December 2014. Income collected during 2015/16 will be closely monitored and any variation from the projections outlined above captured through 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