

## **COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2018/19**

*Reporting Officer: Corporate Director of Finance*

### **SUMMARY**

This report sets out the proposed Council Tax Base and Business Rates Forecast for 2018/19 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 2017 by 31 January 2018 and the Business Rates forecast for the forthcoming year by 31 January 2018.

### **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 2018/19 shall be 99,070.**
- c) **the Corporate Director of Finance be authorised to submit the 2018/19 NNDR1 return to the Department of Communities & Local Government (CLG) and the Greater London Authority (GLA).**
- d) **the Discretionary Rate Relief Scheme for 2018/19 be approved alongside a Government-designed additional relief scheme for pubs.**
- e) **the amendments to the Council's local Council Tax Reduction Scheme effective from 1 April 2018, be approved in order to align the scheme with recent changes to Housing Benefit.**

### **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 2018/19 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.

<b>Table 1: Total Number of Band D equivalent properties</b>	
<b>Band</b>	<b>Number of properties</b>
<b>A</b>	505
<b>B</b>	3,485
<b>C</b>	16,391
<b>D</b>	38,296
<b>E</b>	19,761
<b>F</b>	12,870
<b>G</b>	7,234
<b>H</b>	839
<b>Total</b>	<b>99,381</b>
Equivalent number adjusted for the estimated collection rate (99%)	(994)
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	683
<b>Council Tax Base for 2018/19</b>	<b>99,070</b>

## **CHANGES IN COUNCIL TAX BASE SINCE 2017/18**

In calculating the Council Tax Base for 2018/19 the authority has to estimate the various changes that will occur during the financial year, which result in an increase of 1,850 Band D Equivalent Properties, taking the tax base to the 99,070 outlined in Table 1 above. This movement consists of a 200 Band D reduction in the cost of the Council Tax Reduction Scheme, a 497 Band D increase relating to a review of collection rates and a 1,153 Band D increase from new developments. Of these additions from new developments, 647 have been identified from the pipeline of major developments across the borough, a further 200 expected from Office to Residential conversion and the remaining 306 from smaller developments.

## **Impact on 2018/19 General Fund Budget**

The actual impact of the new Council Tax Base on Hillingdon's General Fund budget for 2018/19 is an increase of 1,850 Band D equivalents properties generating £2,059k in additional funding for the General Fund in 2018/19 compared to 2017/18. This position reflects the outlook presented within the draft budget considered by Cabinet on 14 December 2017, 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 2018/19 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 2018/19 has been derived from the 2017 local rating list. Following allowance for the current levels of both mandatory and discretionary reliefs, the Council anticipates a gross yield of £378,069k.

The Local Government Act 2012 permitted the retention of 30% revenues by London Boroughs, with the remainder being split between Central Government and the Greater London Authority. In December 2017 the Government approved a 100% Business Rates Retention Pilot Pool for London in 2018/19 and 2019/20 which would increase the 30% retention for the Council to 64%. In order to track the benefits of this arrangement, the Council will continue to present the local 30% share of Business Rates Income separately from the additional yield from the Pool.

Under the current 30% scheme, Hillingdon's share of projected 2018/19 income amounts to £113,421k. As in previous years, this sum is adjusted downwards by a £52,915k tariff to reflect historic levels of central government funding.

The remaining £60,506k of income is separated into the £45,424k baseline level of funding, as determined by central government and £15,082k growth, which is subject to a levy of 50%. After taking account of this levy, the Council retains £52,965k of business rate income, including £7,541k 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 2018. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report.

## **Impact on 2018/19 General Fund Budget**

The £52,965k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2018, an increase of £2,651k from 2017/18. £1,328k of this increase represents the retained growth arising from the new developments in the borough and is available to support local services. The remaining £1,323k represents the 3.0% 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, the income relating to the London Pilot Pool will be reported separately to the standard Business Rates Income and is expected to total £5,400k in 2018/19.

## **Discretionary Rate Relief Scheme**

Recommendation 4 seeks approval to continue the Local Discretionary Rate Relief Scheme into 2018/19. The scheme has been designed to utilise grant funding announced by the Government in March 2017 following increases in Rateable Value for businesses following the 2017 Revaluation.

In the March 2017 budget the Government announced funding for local councils to finance Business Rates relief for revaluation support. The Government's extra funding only supports relief schemes targeted at businesses facing an increase in their Business Rates bills following the 2017 revaluation. This funding was allocated by the Government to billing authorities, including Hillingdon, on the basis of numbers of properties with a Rateable Value of less than £200k and an increase of more than 12.5% in their bills before application of any reliefs. Hillingdon's allocation of this grant funding for 2018/19 is £412k.

As funding for this relief was only confirmed in March 2017, it was not included in the 2017/18 Council Tax Base Report to Council and was instead approved by Cabinet during 2017/18. However for completeness, details of the relief and subsequent seeking of approval is now included in this report.

The local scheme has been modelled around the following conditions which mirror the methodology behind the grant allocated to the Council:

- a. Only including properties with a Rateable Value of less than £200k on the 2017 Rating List;
- b. Only including properties who have seen more than a 12.5% increase in Business Rates bills (before considering the impact of other reliefs);
- c. Limiting any award in cases where award of additional reliefs would result in a negative bill and subsequent refund;
- d. Limiting any award to ensure no resultant net liability for 2018/19 is less than a 12.5% increase on their 2016/17 liability to avoid anomalies caused by a 'cliff edge';
- e. Excluding all London Borough of Hillingdon properties (as the Council is prohibited from awarding itself discretionary reliefs).

The level of support offered to businesses meeting the above criteria has been estimated at 6.7% of their increase in Business Rates from 2016/17, which would distribute the £412k available funding over the 1,704 properties expected to meet the above criteria.

### **New Business Rate Relief Scheme for Pubs**

In March 2017 the Government announced a new relief scheme for pubs that have a rateable value of below £100k, which the November 2017 Budget confirmed would continue into 2018/19. Under the scheme eligible pubs will receive a £1k discount on their bill and there are currently 49 premises within the borough that meet this criteria.

### **Council Tax Reduction Scheme**

Recommendation 5 seeks approval for revisions to the local Council Tax Reduction Scheme to align this scheme with recent changes to Housing Benefit. These amendments were recommended by Cabinet in December 2017.

The Hillingdon scheme, as explained above, was designed to mirror the old CTB scheme as far as possible to reduce complexity for claimants and limit the cost of administration. Changes to the scheme were implemented in 2016 to align with the introduction of Universal Credit and Housing Benefit (HB) changes. To maintain that alignment with Housing benefit further changes to CTR scheme rules are now proposed:

- a. Bereavement benefit disregard for working age claimants to mirror HB regulations;
- b. Two child limit for working age Claimants;
- c. Temporary absence abroad restrictions for working age claimants
- d. To award claims from the start of a B&B tenancy (providing the claimant is also occupying the property from that date) rather than from the date of the claim;
- e. To update the scheme annually in line with DWP (HB) uprating.

In the context of around £14m funding for the CTR scheme, these changes will not materially impact upon the overall level of support offered through the scheme. The changes will not impact upon current CTR awards and will only be applied to new awards after 1 April 2018. As mentioned previously, the changes are aimed at simplifying understanding by claimants, streamlining the administration of the scheme and maintaining alignment with HB regulations.

### **Financial Implications**

The forecasts outlined in this report for both Council Tax and NNDR revenues in 2018/19 were included within the draft budget published for public consultation in December 2017. Income collected during 2018/19 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: The Council's Budget: Medium Term Financial Forecast 2018/19 - 2022/23; Cabinet Agenda B - 14 December 2017, including Appendix 9: Review of Council Tax Reduction Scheme