

## **COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2019/20**

*Reporting Officer: Corporate Director of Finance*

### **SUMMARY**

This report sets out the proposed Council Tax Base and Business Rates Forecast for 2019/20 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 2018 by 31 January 2019 and the Business Rates forecast for the forthcoming year by 31 January 2019.

### **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 2019/20 shall be 100,470.**
- c) **the Corporate Director of Finance be authorised to submit the 2019/20 NNDR1 return to the Ministry of Housing, Communities & Local Government (MHCLG) and the Greater London Authority (GLA).**
- d) **the continuation of the Government-funded Discretionary Rate Relief Scheme for 2019/20 and new Retail Relief for 2019/20 as announced in the Chancellor's October 2018 Budget, be noted.**

### **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 2019/20 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>	510
<b>B</b>	3,440
<b>C</b>	17,088
<b>D</b>	38,782
<b>E</b>	19,908
<b>F</b>	12,787
<b>G</b>	7,441
<b>H</b>	839
<b>Total</b>	<b>100,795</b>
Equivalent number adjusted for the estimated collection rate (99%)	(1,008)
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	683
<b>Council Tax Base for 2019/20</b>	<b>100,470</b>

## **CHANGES IN COUNCIL TAX BASE SINCE 2018/19**

In calculating the Council Tax Base for 2019/20, the authority has to estimate the various changes that will occur during the financial year, which result in an increase of 1,400 Band D Equivalent Properties, taking the tax base to the 100,470 outlined in Table 1 above. This movement consists of a 1,221 Band D increase from new developments, 200 Band D reduction in the cost of the Council Tax Reduction Scheme and corresponding by 21 Band D decrease in the Collection rate allowance. Of those additions from new developments, 1,014 have been identified from the pipeline of major developments across the borough, with a further 207 from smaller developments.

### **Impact on 2019/20 General Fund Budget**

The actual impact of the new Council Tax Base on Hillingdon's General Fund budget for 2019/20 is an increase of 1,400 Band D equivalents properties generating £1,558k in additional funding for the General Fund in 2019/20 compared to 2018/19. This

position reflects the outlook presented within the draft budget considered by Cabinet on 13 December 2018.

## **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 2019/20 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 2019/20 has been derived from the 2018 local rating list. Following allowance for the current levels of both mandatory and discretionary reliefs, the Council anticipates a gross yield of £387,894k.

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 2018, the Government approved a 75% Business Rates Retention Pool for London in 2019/20, which would increase the 30% retention for the Council to 48%.

Under the current 30% scheme which was reported to Cabinet in December 2018, Hillingdon's share of projected 2019/20 income amounts to £55,859k, which is made up of the baseline rates income of £47,310k plus retained growth of £8,549k.

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 2019. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report.

## **Impact on 2019/20 General Fund Budget**

The £55,859k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2019, an increase of £2,138k from 2018/19 due to new development and a 2.4% inflationary uplift as reflected in the draft budget presented to Cabinet in December 2019.

## **Discretionary Rate Relief Scheme**

The scheme was designed to utilise grant funding announced by the Government in March 2017 following increases in Rateable Value for businesses following the 2017 Revaluation. 2019/20 is the third of four years in which funding is being made available for this scheme.

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 2019/20 is £170k.

The level of support offered to businesses meeting the above criteria has been estimated at 2.7% of their increase in Business Rates from 2016/17, which would distribute the £170k available funding over the 1,474 properties expected to meet the above criteria during 2019/20.

### **Proposed Retail Rate Relief**

The Chancellor in his Autumn Statement 2018 announced that retail businesses with a rateable value of up to £51k will receive a third reduction in their business rate bills for 2019/20 and 2020/21. An estimate for the local cost of this scheme will be included in the NNDR1 returned to MHCLG, however due to the relatively late announcement of this new relief billing software providers are not expected to have developed necessary system functionality in advance of annual billing. Those businesses affected will receive a second bill confirming the level of discount available. In line with other Government-directed discounts, the Council will be reimbursed for lost income through a Section 31 Grant.

### **FINANCIAL IMPLICATIONS**

The forecasts outlined in this report for both Council Tax and NNDR revenues in 2019/20 were included within the draft budget published for public consultation in December 2018. Income collected during 2019/20 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 2019/20 - 2023/24- 13 December 2018.