COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2020/21

Reporting Officer: Corporate Director of Finance

SUMMARY

This report sets out the proposed Council Tax Base and Business Rates Forecast for 2020/21 in accordance with the legislation for approval by the Council. Council is required to calculate both its Council Tax Base as at 30 November 2019 by 31 January 2020 and the Business Rates forecast for the forthcoming year by 31 January 2020.

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 2020/21 shall be 102,107.

c) the Corporate Director of Finance be authorised to submit the 2020/21 NNDR1 return to the Ministry of Housing, Communities & Local Government (MHCLG) and the Greater London Authority (GLA).

d) the continuation of the Council's policy of passporting Government discounts and reliefs applied to Business Rates to the ratepayer, be noted.

e) having due regard to the Review Of Working Age Council Tax Reduction Scheme for 2020/21 at Appendix 2 and the Equalities Impact Assessment at Appendix 2a, the following amendments to the Council's local Council Tax Reduction Scheme to reform the scheme with effect from 1 April 2020, be approved:

i. Introduction of a Banding Scheme for Working Age Claimants, including simplification of non-dependent deductions and earnings disregards;

ii. Reducing the capital limit for the scheme from £16k to £6k in line with Universal Credit,

iii. Establishing a £1 minimum weekly award, and;

iv. Maintaining current protections for those households in receipt of higher levels of support within the current scheme due to having more than two children prior to 31 March 2018.

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) x (F 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 2020/21 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 1 to this report.

Table 1: Total Number of Band D equivalent properties

Band	Number of properties
A	484
B	3,167
C	17,347
D	39,749
E	20,254
F	13,064
G	7,448
H	852
Total	**102,365**
Equivalent number adjusted for the estimated collection rate (99%)	(1,024)
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	766
Council Tax Base for 2019/20	**102,107**

Changes In The Council Tax Base Since 2019/20

In calculating the Council Tax Base for 2020/21, the authority has to estimate the various changes that will occur during the financial year, which result in an increase of 1,637 Band D Equivalent Properties, taking the Tax Base to the 102,107 outlined in Table 1 above. This movement consists of a 1,214 Band D increase from new developments, 200 Band D increase associated with the reduction in the cost of the Council Tax Reduction Scheme through the unwinding of historic protections through normal attrition rates and netted down by a 16 Band D decrease in the Collection rate allowance. Of those additions from new developments, 947 have been identified from the pipeline of major developments across the borough, with a further 267 from smaller developments.

Council Tax Discounts

The remaining 239 Band D equivalent growth in the Tax Base comes from the proposal approved by Cabinet in December 2019 as part of the draft 2020/21 budget to cease the 21 Day Discounts offered for unoccupied and substantially unfurnished homes. The value of the discount is not deemed to be material against a household's liability and as such, it is proposed to cease the 21 Day Discount from 1 April 2020, which helps the Council to redirect resources within the wider context of the budget strategy, to areas where a greater need exists by maximising funding available to the Council to deploy to frontline services.

Impact on 2020/21 General Fund Budget

The actual impact of the new Council Tax Base on Hillingdon's General Fund budget for 2020/21 is an increase of 1,637 Band D equivalents properties generating £1,865k in additional funding for the General Fund in 2020/21 compared to 2019/20. This position reflects the outlook presented within the draft budget considered by Cabinet on 17 December 2019.

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 local authorities retain a proportion of business rates as a revenue funding stream and as a result, the business rates income forecast for 2020/21 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 2020/21 has been derived from the local rating list. Following allowance for the current levels of both mandatory and discretionary reliefs, the Council anticipates a gross yield of £395,786k.

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 October 2019, the Leader's Committee (via London Councils) approved a 50% Business Rates Retention Pool for London in 2020/21, whereby Council's across London retain 50% of Business Rates growth above their baseline funding and pay the remaining 50% as a Tariff, by pooling rates across London, the 32 authorities are able to minimise the Tariff paid to Central Government, which would increase the 30% retention for the Council to 32.5%.

Under the current 30% scheme which was reported to Cabinet in December 2019, Hillingdon's share of projected 2019/20 income amounts to £57,003k, which is made up of the baseline rates income of £48,114k plus retained growth of £8,889k.

The Council is required to submit a certified NNDR1 return, containing a more detailed analysis of this business rates forecast, to both MHCLG and GLA by 31 January 2020. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report.

Impact on 2020/21 General Fund Budget

The £57,003k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2020, an increase of £1,144k from 2019/20 due to new development and a 1.7% inflationary uplift as reflected in the draft budget presented to Cabinet in December 2019. In addition, the Business Rates Retention Pool for London is expected to secure £825k of additional funding, which is reflected in the draft budget.

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. 2020/21 is the fourth and final year 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 2020/21 is £24k, with £170k awarded in 2019/20.

The level of support offered to businesses meeting the above criteria has been reducing since its introduction, with this being the final year, which would distributes the £24k available funding over the 1,278 properties expected to meet the above criteria during 2020/21.

The Council will continue its policy to passport any government reliefs to the eligible rate payers throughout 2020/21.

Proposed Retail Rate Relief

The Chancellor in his Autumn Statement 2018 announced that retail businesses with a rateable value of up to £51k would receive a reduction of a third against 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. In line with other Government-directed discounts, the Council will be reimbursed for lost income through a Section 31 Grant.

COUNCIL TAX REDUCTION SCHEME

The ongoing rollout of Universal Credit will adversely affect the operation and administration of the local Council Tax Reduction (CTR) Scheme for working age claimants, increasing duplication of effort on the part of the claimant and increasing the administrative burden on the Council. In order to mitigate this growing burden on both claimants and the Council, a number of proposals for reform of the local CTR Scheme have been developed while maintaining the overall level of support provided to working age claimants at £7.9m per annum.

Having due regard to the Equalities Impact Assessment at Appendix 2a, it is recommended that Council approve the proposed reforms to the local Council Tax Reduction Scheme with a view to reforming the scheme with effect from April 2020:

i. Introduction of a Banding Scheme for Working Age Claimants, including simplification of non-dependent deductions and earnings disregards;
ii. Reducing the capital limit for the scheme from £16k to £6k in line with Universal Credit,
iii. Establishing a £1 minimum weekly award, and;
iv. Maintaining current protections for those households in receipt of higher levels of support within the current scheme due to having more than two children prior to 31 March 2018.

The proposed reforms to the working age CTR Scheme are intended to mitigate the growing administrative burden associated with the roll out of Universal Credit, where interactions between the national benefit and the local scheme are resulting in higher numbers of changes in assessed awards and duplication of effort on the part of both claimant and the Council. The reforms are not designed to reduce the total funding being made available to claimants. The central reform is the move towards an income banding scheme, with similar schemes having been successfully rolled out during 2019/20 in 28 authorities across the country. Full details are included in Appendix 2 of this report, with Appendix 2a setting out the Equalities Impact Assessment.

FINANCIAL IMPLICATIONS

The forecasts outlined in this report for both Council Tax and NNDR revenues in 2020/21 were included within the draft budget published for public consultation in December 2019. Income collected during 2020/21 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

Although the legal comments are to a large extent contained in the body of the report, Council is being asked to approve a number of amendments to the Council's local Council Tax Reduction Scheme ["CTRS"] for 2020/21, as set out in Recommendation e). There are two important legal considerations arising to which Members' attention is drawn.

Firstly, Schedule 1A to the Local Government Finance Act 1992 imposes a statutory obligation on the Council, before it is able to revise its CTRS, to not only consult with any major precepting authority which has a power to issue a precept to it but also to consult with such other persons as it considers are likely to have an interest in the operation of the scheme.

Although the duty to consult is statutory, the Council must nevertheless strictly observe the common law principles governing a lawful consultation [known as the 'Gunning principles'].

One such principle is that a decision-maker is required to conscientiously take into account the product of consultation before making a decision. In this respect, Appendix 2 to the report summarises the outcome of public consultation and feedback from the GLA [paras. 28 - 31]. It is important that Members properly take these responses into account before deciding whether to approve the proposed amendments to the CTRS.

Secondly, section 149 of the Equality Act 2010 imposes an obligation on a public authority, in the exercise of its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation, advance equality of opportunity and to foster good relations between persons who share a relevant protected characteristic and those who do not. It is known as the public sector equality duty.

Attached to the report as Appendix 2a is a CTRS Equality and Human Rights Impact Assessment which has been prepared pursuant to section 149 of the 2010 Act. It concludes that no protected characteristic reviewed as part of the proposed changes to the CTRS have been adversely impacted, including age, ethnicity and sex. It also states that the proposed changes will not affect pensioners.

Once again, it is important that Members have due regard to this Assessment before deciding whether to approve Recommendation 5 in the report.

BACKGROUND PAPERS: The Council's Budget: Medium Term Financial Forecast 2020/21 - 2024/25 - 17 December 2019.