

COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2021/22

Reporting Officer: Corporate Director of Finance

SUMMARY

This report sets out the proposed Council Taxbase and Business Rates Forecast for 2021/22 in accordance with the legislation for approval by the Council. The Council is required to calculate both its Council Taxbase as at 30 November 2020 by 31 January 2021 and the Business Rates forecast for the forthcoming year by 31 January 2021.

RECOMMENDATIONS: That:

- a) the report of the Corporate Director of Finance for the calculation of the Council Taxbase and the Business Rates Forecast be approved;
- b) in accordance with the Local Authorities (Calculation of Council Taxbase) (England) Regulations 2012 the amount calculated by the London Borough of Hillingdon as its Council Taxbase for 2021/22 shall be 102,071.
- c) authority be delegated to the Corporate Director of Finance to submit the 2021/22 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 approved.

COUNCIL TAXBASE

The calculation of the Council Taxbase is prescribed under the Local Authorities (Calculation of Council Taxbase) (England) Regulations 2012 and represents the equivalent number of Band D Properties within the Borough. The calculation of the Council Taxbase 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 Taxbase for 2021/22 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	521
B	3,201
C	17,514
D	39,461
E	20,241
F	13,000
G	7,528
H	862
Total	102,328
Equivalent number adjusted for the estimated collection rate (99%)	(1,023)
Plus the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	766
Council Taxbase for 2021/22	102,071

Changes In The Council Taxbase Since 2020/21

In calculating the Council Taxbase for 2021/22, the authority has to estimate the various changes that will occur during the financial year, which are expected to result in a net reduction of 36 Band D equivalent properties from the 2020/21 Taxbase. Within this movement, an increase of 1,144 Band D equivalent properties relates to normal activities, with a 1,180 decline projected in respect of COVID-19 due to continued elevated numbers of residents on the Council Tax Reduction Scheme.

This non-COVID-19 related movement reflects an expected 1,012 Band D uplift from new development, 144 Band D equivalent increase from the unwinding of historic protections through normal attrition rates on the Council Tax Reduction Scheme being netted down by a 12 Band D equivalent decrease in the allowance for non-collection. Of those additions from new developments, 911 have been identified from the pipeline of major developments across the borough, with a further 233 from smaller developments.

During 2020/21 the Council has seen a marked increase in demand for the Council Tax Reduction Scheme, with over 2,000 additional claimants in December 2020 compared with April 2020 as a result of the economic impact of COVID-19. It is expected that this demand will decline alongside the anticipated economic recovery following the pandemic, albeit that there can be no certainty on the timing of this. For planning purposes, it has been assumed that the current elevated demand for CTRS

will continue for the first six months of 2021/22 and returns to normal levels over the remainder of the year. This would see a loss of income equivalent to 75% of the pressure in the current financial year and is reflected through a 1,180 reduction in Band D equivalent properties within the taxbase.

Impact on 2021/22 General Fund Budget

The draft budget for 2021/22 considered by Cabinet on 10 December 2020 was published prior to confirmation from Government on the precise mechanism by which local authorities would be supported with additional demand for the Council Tax Reduction Scheme. The consultation budget therefore outlined the financial impact of the 1,144 Band D equivalent uplift for the taxbase, which secures £1,354k additional funding for General Fund services, while assuming that COVID-19 related impacts would be managed through specific Government support.

The Council has been provisionally awarded £2,734k to manage the impact of COVID-19 on Council Tax and the Council Tax Reduction Scheme in 2021/22, with £1,463k of this sum replacing the forgone income from the 1,180 Band D equivalent uplift in demand for the Council Tax Reduction Scheme and the remaining £1,271k remaining available to finance further support to residents in hardship with their Council Tax over the 2021/22 financial year

The overall impact on the 2021/22 budget is therefore unchanged from that assumed in the consultation budget in December 2020, with the normal changes to the Council Tax base remaining as assumed in that report and the COVID-19 impact on the Council Tax Base fully funded by government grant.

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 2021/22 has a direct impact upon the Council's finances and is therefore submitted to Council for approval alongside the Council Taxbase.

The Business Rates Income forecast for 2021/22 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 £370,241k.

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. This retained sum is reduced through a levy mechanism, with Hillingdon's share of projected 2021/22 income amounting to £55,105k, which is made up of the baseline rates income of £47,457k plus retained growth of £7,648k.

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 2021. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report.

Impact on 2021/22 General Fund Budget

The £55,105k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2021, an decrease of £900k from 2020/21 due to reductions in the taxbase due to the COVID-19 pandemic and the impact on local businesses, this position is offset by a 0.5% inflationary uplift as reflected in the draft budget presented to Cabinet in December 2020.

Proposed Retail Rate Relief

The Chancellor, in his COVID-19 support package for business, announced that retail relief of 100% would be awarded to businesses within the retail and hospitality sectors, alongside nurseries against their 2020/21 liability. At this time, it is yet to be announced what this scheme will look like for 2021/22, the Council has therefore set a budget based on the pre-pandemic scheme. However, should the scheme continue, the reduction in income from the scheme will be funded by the Government, and therefore not impact on the Council's overall funding position. An estimate for the local cost of this scheme will be included in the NNDR1 returned to MHCLG on this basis. 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 2021/22 were included within the draft budget published for public consultation in December 2020. Income collected during 2021/22 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 2021/22 - 2025/26 - 10 December 2020.