

COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2023/24

Reporting Officer: Corporate Director of Finance

SUMMARY

This report sets out the proposed Council Taxbase and Business Rates Forecast for 2023/24 in accordance with the legislation for approval by the Council. The Council is required to calculate both its Council Taxbase as at 30 November 2022 by 31 January 2023 and the Business Rates forecast for the forthcoming year by 31 January 2023.

Furthermore, as part of this, Council is asked to agree the recommendations from Cabinet on 15 December 2022, following a review by the Residents' Services Select Committee into the Empty Homes Council Tax Premium. These recommendations form part of the proposed Council Taxbase calculations for 2023/24.

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 2023/24 shall be 103,625.**
- c) **authority be delegated to the Corporate Director of Finance to submit the 2023/24 NNDR1 return to the Department of Levelling Up, Housing & Communities (DLUHC) 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.**
- e) **two amendments to the Council's local Council Tax Reduction Scheme with effect from April 2023 be approved:**
 - i. **Non-dependent charge to be increased to £8 per week**
 - ii. **Increase the minimum award from £1 to £2 per week**
- f) **the following recommendations be approved, upon referral from Cabinet:**
 - i. **To increase the current Empty Homes Council Tax Premium, applicable to non-exempt properties empty for more than two years, from the current 50% to 100% from the 2023/24 financial year;**
 - ii. **To phase in increases to the current Empty Homes Council Tax Premium, applicable to non-exempt properties empty for more than five / ten years, to the maximum premium allowable of 200% / 300% respectively and from financial years 2024/25 and 2025/26 respectively;**
- g) **the 2 specific circumstances where the application of the Premium cannot be applied be noted:**
 - i. **a member of the Armed Services, who is away from the property as a result of their service;**
 - ii. **Where a property forms part of a single property, for example, an annexe.**

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 2023/24 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	866
B	3,260
C	18,424
D	39,798
E	20,378
F	13,116
G	7,642
H	891
Total Equivalent	104,425
Equivalent number adjusted for the estimated collection rate (98.5%)	(1,566)
Plus, the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	766
Council Taxbase for 2023/24	103,625

Changes in the Council Taxbase since 2022/23

In calculating the Council Taxbase for 2023/24, the authority has to estimate the various changes that will occur during the financial year, which are expected to result in a net decrease of 215 Band D equivalent properties from the 2022/23 Taxbase. The

Council is forecasting a 1,012 Band D equivalent increase in the taxbase compounded by a further increase of 52 properties from the proposed changes in the Empty Properties Premium, with these increases being offset by three key factors:

- Firstly, the Council has realigned the Discounts and Exemptions reduction in the taxbase as demand is forecast to move in line with the taxbase, reducing the taxbase by 556 properties, with this reduction including an element of rebasing of the Council's taxbase.
- Secondly, a further 194 reduction is projected in respect of the Council Tax Reduction Scheme as demand is forecast to continue to track above pre-pandemic levels.
- Thirdly, the collection rate allowance has been adjusted downwards by 0.5% to 98.5% due to the cost-of-living crisis forecast to have a negative impact on collection rates and therefore netting down the Council Taxbase by a further 529 to 103,625.

Demand has continued to be high for the Council Tax Reduction Scheme in 2022/23, which has been declining steadily at a rate of 3% alongside the economic recovery from the pandemic. While current data indicates that this decline will continue, with the current economic climate and businesses struggling with the high inflationary environment, the Council will continue to closely monitor demand for this service going forward. For planning purposes, it has been assumed that the current elevated demand for CTRS will continue to reduce for the remainder of the year, as has been the case throughout 2022/23.

Impact on 2023/24 General Fund Budget

The actual impact of the new Council Taxbase on Hillingdon's General Fund budget for 2023/24 is a decrease of 215 Band D equivalents properties, reducing Council Tax revenue by £272k. However, this has been mitigated by the increase in the Empty Homes Council Tax Premium and the recommended changes to the Council Tax Reduction Scheme, and will be further mitigated with the proposed increases in Council Tax and the Social Care Precept. This position reflects the outlook presented within the draft budget considered by Cabinet on 15 December 2022.

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 2023/24 has a direct impact upon the Council's finances and is therefore submitted to Council for approval alongside the Council Taxbase.

With the Business Rates system operating within cyclical revaluation periods, following delays in the revaluation of commercial properties due to the pandemic, the national rating list has been revalued for 2023/24, with Hillingdon's list set to increase by 5.3% from £803m to £846m, whilst the Business Rates multipliers are being frozen for 2023/24, local businesses will receive support against their increased bill, with smaller

firms with a rateable value of up to £28k seeing a maximum increase of 5%, medium sized firms (with a rateable value of between £20k and £100k) seeing increases capped to 15% and larger firms having their increases capped to 30%. All commercial properties with a decrease will benefit from the reduction in full effective from April 2023.

The Business Rates Income forecast for 2023/24 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 £330,787k made up of a combination of rate payers' liabilities and Section 31 Grant income paid by Government to fund national reliefs.

The Local Government Act 2012 permitted the retention of 30% revenues by London Boroughs, with the remainder being split between Central Government (33%) and the Greater London Authority (37%). This retained sum is reduced through tariff and levy mechanisms, with Hillingdon's share of projected 2023/24 income amounting to £60,670k, which is made up of the baseline rates income of £48,998k plus retained growth of £11,672k.

The Council is required to submit a certified NNDR1 return, containing a more detailed analysis of this business rates forecast, to both DLUHC and GLA by 31 January 2023. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report, with the return to be based on the latest available intelligence.

Impact on 2023/24 General Fund Budget

The £60,670k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2023, an increase of £4,054k from 2022/23 due to an increase in the Rating List due to economic recovery following the COVID-19 pandemic and the impact on local businesses. This position reflects the outlook presented within the draft budget considered by Cabinet on 15 December 2022.

Proposed Retail Rate Relief

In his Autumn Statement the Chancellor announced that retail relief of 75% would be awarded to businesses within the retail, hospitality and leisure sectors on rates bills up to £110k against their 2023/24 liability per business. Furthermore, the Chancellor confirmed an extension of the Transitional Relief and Supporting Small Business schemes, however for 2023/24, it should be noted that the Transitional Relief scheme will be amended to abolish downward caps, enabling businesses who have had their Rateable Value reduced to benefit from this immediately. An estimate for the local cost of these schemes will be included in the NNDR1 returned to DLUHC on this basis. 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 proposed reforms to the working age CTR Scheme are intended to mitigate the cost associated with the significant increase in demand for the scheme and growing administrative burdens associated with the processing of the increased caseload since April 2020, when the Council saw a 16% increase in demand driven by the pandemic.

There were c16,200 households in receipt of CTR pre-April 2020, which increased to c18,800 in April 2021 as the level of demand for support increased due to the COVID-19 pandemic. Since demand peaked at the end of 2020/21, demand has reduced, but only by c3% per annum, with the Council facing a medium-term impact from the pandemic, with the caseload currently standing at c18,000.

To reduce the cost of the scheme it is proposed that the Council review non-dependent deductions, with the Council's charge for working age claimants being below the charge applied to pensioner claimants which is set by legislation, furthermore, it is considered that the proposed uplift is affordable for 'in-work' non-dependents. The proposed increase in the non-dependent charge from £5 to £8 would indirectly fall on the non-dependent within the household who are considered in many cases to have the means to fund the increase in Council Tax. The charge proposed remains lower than the average of the pensioner non-dependent rate of £9.07.

The change proposed will affect approximately 2,000 working age households (11%). Households with one non-dependent would see their Council Tax liability increase by £156 a year, with the non-dependents in the household being expected to contribute toward this additional charge. The working aged most vulnerable claimants will continue to be protected with a nil non-dependent charge. Implementing this proposal will reduce the cost of the scheme by £355k, this impact has been built into the Council's taxbase presented in this report.

The second proposal is to increase the minimum award from £1 to £2 per week. The increase in the minimum award would reduce the number of CTR low value awards and reduce the number of claimants having to notify the Council of a change in circumstances. Claimants failing to do so could result in CTR over awards, which then leads to rebilling on marginal changes in Council Tax liability and amendments to monthly instalments. This proposal is intended to reduce administrative burden and therefore enable the scheme administration to continue to operate within existing resources whilst also providing greater stability for the individual claimants. The proposal is also considered to not have a material impact on individual households. This proposal would impact upon 46 of the current 18,000 caseload at the time of writing.

The Council carried out an Equalities Impact Assessment on these two changes, which concluded that whilst some protected groups may be more likely to be impacted by the proposed changes than others, this is most likely due to the nature of the service. The assessment noted that any resident adversely impacted by the changes would be able to approach the Council for Financial Support, this assessment is included as Appendix 2 of this report.

The Council ran a consultation process on these changes, with 28 responses received in total, 25 of which were current recipients of the benefit, representing a small proportion of the 18,000 claimants. Within the responses 18 people disagreed with the increase in the non-dependent charge, 13 of these are in receipt of a non-dependent charge. Furthermore, 18 responses disagreed with the increase in the minimum award, with 16 of these being an active claimant. Such a small response rate limits the Council's ability to draw any meaningful conclusions.

EMPTY HOMES COUNCIL TAX PREMIUM

Review by Residents' Services Select Committee

The Residents' Services Select Committee undertook a review into the Council's application of the Empty Homes Council Tax Premium on non-exempt properties and has recommended increasing these to the maximum levels permitted in law, based on whether properties have been unoccupied for over 2, 5 or 10 years as follows:

Period Empty	Maximum premium to be agreed	Total paid
2+ years	100%	Double the Council Tax charge
5+ years	200%	Three times the Council Tax charge
10+ years	300%	Four times the Council Tax charge

It is anticipated that the proposed increases in the premium added to Council Tax liabilities will reduce the number of such empty properties in the Borough and provide an additional financial incentive for owners to sell or bring their empty properties back into use sooner. Moreover, the premium increases will raise additional Council Tax income and potentially reduce the Council's expenditure on temporary accommodation and homelessness. The review recognised that the benefit from these initiatives was likely to be over the medium-term, following a period of initial recovery activity. However, it was anticipated that the overall cost benefit to the Council will more than outweigh the costs associated with recovery of the debt.

In addition, the Committee noted that the relevant Council Tax Regulations provided that such premiums cannot be applied in the two circumstances below, which Council is asked to note:

- When a property is left empty by a member of the Armed Services, who is away from the property as a result of their service;
- Where a property forms part of a single property, for example, an annexe.

Cabinet considered the Select Committee's findings and recommendations on 15 December 2022 and in accordance with Constitutional protocol, agreed to refer them to full Council to be considered alongside the Council Tax Base calculations.

FINANCIAL IMPLICATIONS

The forecasts outlined in this report for both Council Tax and NNDR revenues in 2023/24 were included within the draft budget published for public consultation in December 2022, with the recommendation in this report to delegate authority to the Corporate Director of Finance to submit an NNDR1 being on the basis of the position presented in this report, which mirrors the position presented to December Cabinet. Income collected during 2023/24 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 legal implications are contained in the body of the report.

BACKGROUND PAPERS: The Council's Budget: MTFF 2023/24 - 2027/28 - 15 December 2022. Report from the Residents' Services Select Committee - Empty Homes Council Tax Premium – 15 December 2022