**Body:** Cabinet  
**Date:** 11\(^{th}\) December 2013  
**Subject:** Council Tax Base and Business Rate Income 2014/15  
**Report of:** Chief Finance Officer  
**Ward(s):** All  
**Purpose:** To approve the Council Tax Base and net yield from Business Rate Income for 2014/15 in accordance with the Local Government Finance Act 1992, as amended.  
**Decision Type:** Key Decision  
**Recommendations:** Members are asked to  
   i) Agree the provisional Council Tax Base of 32,126.5 for 2014/15.  
   ii) Agree the provisional Retained Business Rates Income of £35.225m for 2014/15  
   iii) Agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the Council Tax Base and Retained Business Rates income for 2014/15.  
**Contact:** Pauline Adams, Financial Services Manager  
Tel 01323 415979 or internally on ext 5979  

**1.0 Introduction**  

1.1 The Council is required to set its Council Tax Base and the expected Business Rate Income for the forthcoming year. These calculations are used as the basis for the amount of income the Council will precept from the Collection Fund.  

1.2 The Local Authorities (Calculation of Council Tax Base) Regulations 1992 prescribe that the billing authority (this council) must supply the precepting authorities (the County, Police and Fire authorities) with the calculation of the Council Tax Base. This information must be supplied between 1 December and 31 January in the financial year proceeding the financial year for which the calculation is being made.  

1.3 Non-Domestic Rating (Rates Retention) Regulations 2013 also sets out a timetable for informing the government and precepting authorities of the business rate income calculation. This information is completed via a government return (NNDR1) which must be submitted by 31 January in the financial year proceeding the financial year for which the calculation is being made.
In order to assist the precepting authorities with their financial planning it is helpful to provide the information during December rather than wait for the January deadline.

**Council Tax Base**

The Council Tax Base is the estimated full year equivalent number of chargeable dwellings. This is expressed as the equivalent number of Band D dwellings with two or more liable adults.

In making this estimate, account must be taken of discounts, disablement relief and property exemptions. Movements on and off the Valuation List during the year must also be taken into account – e.g. where new properties have been built or old ones converted or demolished.

The primary legislation that determines how the Council Tax Base is to be calculated is the Local Government Finance Act 1992. A number of regulations have been laid under this Act that has prescribed how the detailed calculation is to be made. Those regulations are listed at the foot of this report.

The basic calculation as determined by the primary legislation is that the Council arrives at its Council Tax Base by multiplying its Relevant Amount by its estimated Collection Rate.

**Relevant Amount**

The Relevant Amount for each Band is the estimated full year equivalent number of chargeable dwellings in the Band expressed as the equivalent number of Band D dwellings. For example, a Band A property is equivalent to 6/9 of a Band D property, a Band H property is equivalent to 2 times (18/9) a Band D property. The Relevant Amounts for each Band are then added together to arrive at the overall Band D equivalent.

The results for each Band when totalled up are converted to form the appropriate number of Band D equivalent dwellings. This is the Relevant Amount. For 2014/15 this totals 32,950.3.

The Relevant Amount has decreased by 359 (1.1%) Band D equivalent dwellings from 2013/14. This reflects the higher take up of the Council Tax reduction scheme than the 2013/14 original model predicted pending the introduction of the scheme from 1 April 2013. This has been offset by a reduction in the number of Single Person Discounts awarded. The effect of these changes has resulted in the reduction to the total number of chargeable dwellings by 382.

**Collection Rate**

The Collection Rate is the Council's estimate of the proportion of the overall Council Tax collectable for 2014/2015 that will ultimately be collected. This is expressed as a percentage.

The key elements in making this calculation are losses on collection, appeals
against valuation, changes in circumstances (e.g. applications for discounts in respect of single person occupancy or disability) and other adjustments. These other adjustments to bills can arise for a variety of reasons including bankruptcy, death and exemption where premises are unoccupied for reasons allowed by the Exempt Dwellings Order. The Council must also make provision for uncollectable debts.

4.3 Given the current level of Council Tax collection and the forecast of a small deficit balance on the collection fund it is prudent to retain the current collection rate of 97.5%.

5.0 **Council Tax Base**

5.1 Taking the Relevant Amount of 32,950.3 and applying the Collection Rate of 97.50% produces a Council Tax Base for 2014/15 of **32,126.5**.

5.2 The Council Tax Base has decreased by 1.1% compared with 2013/14. This is equivalent to a reduction of 350 Band D dwellings. The detail number of properties is shown at Appendix 1.

5.3 The Council’s Medium Term Financial Plan is updated annually to take account of movements in the Council Tax Base. The assumed tax base for the current MTFS was 32,600.

6.0 **BUSINESS RATE INCOME**

6.1 The Local Government Finance Act 2012 introduced a new system for the local retention of business rates. This means that the council is required to formally approve the expected business rate income for the forthcoming year. The estimate for the 2014/15 financial year must be approved by 31 January 2014.

6.2 The Business Rate income is all collated on the NNDR1 form which will show the net rate income yield for the forthcoming year and the central and local shares of the business rates. The actual NNDR1 form for 2014/15 has not yet been received but the provisional figures based on the 2013/14 form plus known changes has been calculated as follows:

<table>
<thead>
<tr>
<th>Retained Business Rate</th>
<th>2014/15 Estimate £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rates Yield</td>
<td>39,443</td>
</tr>
<tr>
<td>Less Mandatory Reliefs</td>
<td>(3,184)</td>
</tr>
<tr>
<td>Less Discretionary Reliefs</td>
<td>(100)</td>
</tr>
<tr>
<td><strong>GROSS RATE YIELD AFTER RELIEFS</strong></td>
<td>36,159</td>
</tr>
<tr>
<td>Less Allowance for cost of Collection</td>
<td>(128)</td>
</tr>
<tr>
<td>Adjustments for Changes in RV due to growth or reduction in property numbers.</td>
<td>(71)</td>
</tr>
<tr>
<td>Less Estimated Losses on Collection</td>
<td>(300)</td>
</tr>
<tr>
<td>Less Allowance for Appeals</td>
<td>(440)</td>
</tr>
<tr>
<td>Transitional Relief (funded centrally)</td>
<td>5</td>
</tr>
<tr>
<td><strong>NET BUSINESS RATE YIELD</strong></td>
<td><strong>35,225</strong></td>
</tr>
</tbody>
</table>
The adjustment for the changes in RV is mainly due to the properties that are to be demolished as part of the Town Centre redevelopment. For estimating purposes it has been assumed that this will happen in the final quarter of 2014/15. The 2015/16 calculation will reflect the full year effect of this reduction, however once the redevelopment work has been completed there will be a corresponding growth in the business rate yield.

6.3 The net business rate yield is allocated centrally and locally based on the following ratios:

- 50% to Central Government
- 40% to the Local Billing Authority (this council)
- 10% to the other precepting authorities (9% to the county and 1% to the fire authority)

The local share (the Business Rate baseline) is then payable to the Council’s general fund. All other adjustments to the overall level of business rate income retained locally are then accounted for within the general fund.

7.0 Retained Business Rates income in the General Fund

7.1 As some local authorities collect more business rates than they currently receive in formula grant (which is based on relative need and resources), whilst others are lower, the government will rebalance to ensure that no local authority is worse off as a result of it business rates at the outset of the scheme though a system of tariffs and top ups. To calculate these tariffs and top ups a business rate baseline funding level has been set by government based on the 2012/13 formula grant funding levels. An authority will pay a tariff if their business rate baseline is more than their baseline funding level and receive a top up if their business rate baseline is less than their baseline funding level. Tariff and top ups will be self funding and fixed in real terms (i.e. only up rated by RPI) in future years, ensuring that changes in retained income are driven by business rate growth.

This authority has a business rate baseline higher than its baseline funding level and thus is due to make a tariff payment.

7.2 The intention of the Rates Retention scheme is to give an incentive to local authorities to grow their business rate base, and the scheme has been devised to allow local authorities to benefit from this growth. However due to the gearing effect, i.e. the differences in the relationship between an individual authority’s business rates base and it baseline funding level, some authorities with existing large tax bases in relation to their funding levels will experience increases in their income that is out of proportion to the growth in their business rate base. To moderate this gearing effect a system of levies and safety nets has been introduced.

The levy rate will allow authorities to retain their growth in an equivalent proportion to its baseline revenue. This translates into a real benefit and after the payment of the central share and the levy at least 20p in each extra pound will be retained locally.

Conversely a safety net will apply to any authority experiencing a decrease
in their business rates revenue. This safety net guarantees authorities 92.5% of their original baseline funding. For the purpose of the safety net the baseline funding level will be increased by RPI each year.

7.3 The final amount of retained business rates to be credited to the general fund is calculated as follows:

<table>
<thead>
<tr>
<th>2014/15 Estimate</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBC Share of Business Rate Yield</td>
<td>14,094</td>
</tr>
<tr>
<td>Minus Tariff</td>
<td>(9,664)</td>
</tr>
<tr>
<td>Minus Levy</td>
<td>(612)</td>
</tr>
<tr>
<td>Minus Estimated Deficit on Collection Fund as at 31.3.14</td>
<td>(283)</td>
</tr>
<tr>
<td><strong>Local Retained Business Rate Income 2014/15</strong></td>
<td><strong>3,535</strong></td>
</tr>
</tbody>
</table>

2014/15 Estimate £’000

8.0 Setting the Business Rate Income

8.1 The figures required to set the business rate income are not yet available as the final NNDR1 form and guidance notes have not yet been received from DCLG. Cabinet is therefore asked that delegated authority be given to the Chief Financial Officer, in consultation with the Portfolio Holder for Finance, to determine the final estimated net yield from Business Rate Income for 2014/15.

8.2 The revenue implication of the new Business Rates retention scheme has been modelled into the financial plan and will be fully reflected in the budget setting process.

9.0 Collection Fund Performance

9.1 As at 31 March 2013 the Collection fund showed a surplus of £169,272. £158,910 is being distributed across all preceptors during 2013/14, leaving a balance of £10,362 to be distributed in 2014/15.

9.2 The Council has to estimate the overall surplus/deficit at 31 March 2014 and inform the precepting authorities in January 2014 of this estimate in order that the amount is included in the 2014/15 precept figures.

9.3 Current monitoring figures indicate a deficit by 31 March 2014 of £40,000 for Council Tax, this will be revised in January and the results reported to members as part of the budget report to the February Cabinet. Any surplus or deficit is allocated to preceptors in 2014/15 in proportion to the 2013/14 Band D Council Tax.

9.4 For the first time this year a calculation on the business rate income element of the Collection Fund has to be prepared in January. Current indications show a deficit balance of £708,000 due to the number of successful appeals having been settled in the year and the lower than anticipated growth in
rateable values. The calculation will be revised for January and the results reported to members as part of the budget report to the February Cabinet. Any surplus or deficit is allocated in 2014/15 in accordance with the proportions given at 6.3 above.

10.0 Consultation
10.1 Not Applicable

11.0 Implications
11.1 The Council Tax Base will be used to calculate the level of Council Tax requirement that will be recommended to the Council on 19 February 2014.

11.2 The net yield from Business Rates income will be used to calculate the amount of retained business rates to be credited to the General Fund.

11.3 Once the Council Tax Base and the estimated balance on the Council Tax element of the Collection Fund has been determined, East Sussex County Council, Sussex Police and Crime Commissioner and East Sussex Fire Authority will be notified.

11.4 Once the NNDR1 2014/15 has been completed and the estimated balance on the Business Rate element of the Collection Fund has been determined, this will be submitted to Central Government and both East Sussex County Council and East Sussex Fire Authority will be notified.

12.0 Summary
12.1 The provisional Council Tax Base for 2014/15 has been calculated in accordance with relevant legislation. Summary calculations are set out within the attached appendix.

12.2 The figures required to set the business rate income are not yet available as the final NNDR1 form and guidance notes have not yet been received from DCLG. Provisional figures indicated business rates income for the General Fund of £3,535,000.

12.3 It is recommended that delegated authority be given to the Chief Finance Officer, in consultation with the Portfolio holder for Finance, to agree the final figures for both calculations.

Alan Osborne,
Chief Finance Officer

Background Papers:
The Background Papers used in compiling this report were as follows:
- The Local Government Finance Act 1992
- The Local Authorities (Calculation of Council Tax Base) Regulations 1992
- The Local Authorities (Calculation of Council Tax Base) (Amendment) Regulations 2003
- Non-Domestic Rating (Rates Retention) Regulations 2013