**Body:** Cabinet  
**Date:** 10th December 2014  
**Subject:** Council Tax Base and Business Rate Income 2015/16  
**Report Of:** Chief Finance Officer  
**Ward(s)** All  
**Purpose** To approve the Council Tax Base and net yield from Business Rate Income for 2015/16 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 **32,558.9** for 2015/16.

ii) Agree the provisional Retained Business Rates Income of **£34.8m** for 2015/16.

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 2015/16.

**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.
1.4 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.

2.0 Council Tax Base

2.1 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.

2.2 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.

2.3 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.

2.4 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.

3.0 Relevant Amount

3.1 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.

3.2 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 2015/16 this totals 33,308.3.

3.3 The Relevant Amount has increased by 358 properties (1.32%) Band D equivalent dwellings from 2014/15. This reflects an increase in the number of taxable properties and a reduction in the number of Single Person Discounts awarded. The effect of these changes has resulted in an increase to the total number of chargeable dwellings of 459.

4.0 Collection Rate

4.1 The Collection Rate is the Council’s estimate of the proportion of the overall Council Tax collectable for 2015/16 that will ultimately be collected. This is expressed as a percentage.

4.2 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 surplus balance on the collection fund there is the opportunity to set the collection rate at 97.75% for 2015/16, an increase of 0.25% over 2014/15.

5.0 Council Tax Base

5.1 Taking the Relevant Amount of 33,308.3 and applying the Collection Rate of 97.75% produces a Council Tax Base for 2015/16 of \(32,558.90\).

5.2 The Council Tax Base has increased by 1.35% compared with 2014/15. This is equivalent to an increase of 432 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 32,126.

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 2015/16 financial year must be approved by 31 January 2015.

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 2015/16 has not yet been received but the provisional figures based on the 2014/15 form plus known changes has been calculated as follows:

<table>
<thead>
<tr>
<th>Retained Business Rate</th>
<th>2015/16 Estimate £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rates Yield</td>
<td>39,539</td>
</tr>
<tr>
<td>Less Mandatory Reliefs</td>
<td>(3,877)</td>
</tr>
<tr>
<td>Less Discretionary Reliefs</td>
<td>(42)</td>
</tr>
<tr>
<td><strong>GROSS RATE YIELD AFTER RELIEFS</strong></td>
<td><strong>35,620</strong></td>
</tr>
<tr>
<td>Less Allowance for cost of Collection</td>
<td>(127)</td>
</tr>
<tr>
<td>Adjustments for Changes in RV due to growth or reduction in property numbers.</td>
<td>30</td>
</tr>
<tr>
<td>Less Estimated Losses on Collection</td>
<td>(394)</td>
</tr>
<tr>
<td>Less Allowance for Appeals</td>
<td>(325)</td>
</tr>
<tr>
<td><strong>NET BUSINESS RATE YIELD</strong></td>
<td><strong>34,804</strong></td>
</tr>
</tbody>
</table>
The adjustment for the changes in RV includes the properties that are to be demolished as part of the Town Centre redevelopment, 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 then 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 individuals 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 estimated amount of retained business rates to be credited to the general fund is calculated as follows:

<table>
<thead>
<tr>
<th>2015/16 Estimate</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBC Share of Business Rate Yield</td>
<td>13,921</td>
</tr>
<tr>
<td>Minus Tariff</td>
<td>(10,124)</td>
</tr>
<tr>
<td>Minus Levy</td>
<td>(564)</td>
</tr>
<tr>
<td>Minus Estimated Deficit on Collection Fund as at 31.3.15</td>
<td>(526)</td>
</tr>
<tr>
<td>Add Section 31 Grants</td>
<td>1,272</td>
</tr>
<tr>
<td><strong>Local Retained Business Rate Income 2015/16</strong></td>
<td><strong>3,980</strong></td>
</tr>
<tr>
<td>2014/15 Amount</td>
<td>3,725</td>
</tr>
</tbody>
</table>

These figures will be confirmed once the final NNDR1 has been completed in January and the government grant settlement figures received later this month.

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 2015/16.

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 Business Rates Pooling

9.1 Cabinet agreed at its meeting on 22 October 2014 to enter into a business rate pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. An application has now been submitted to DCLG and the outcome is expected in January.

9.2 Under pooling the levy as set out in para 7.2 will be payable to the pool rather than to DCLG, and redistributed to participating authorities in accordance with the agreed memorandum of understanding. This is to be used to fund economic development.

9.3 The split of the potential proceeds based on business rate forecasts indicates that this Council can expect to receive a sum in the region of £223k, the precise amount will not be known until the end of the 2015/16 financial year and payment made in 2016/17.
10.0 Collection Fund Performance

10.1 As at 31 March 2014 the Collection fund showed a deficit of £3,127,280 (£79,171 Council Tax and £3,048,109 Business Rates). £2,165,775 is being recovered across Council Tax and Business Rates preceptors during 2014/15, leaving a balance of £961,505 to be distributed in 2015/16.

10.2 The Council has to estimate the overall surplus/deficit at 31 March 2015 and inform the precepting authorities in January 2015 of this estimate in order that the amount is included in the 2015/16 precept figures.

10.3 Current monitoring figures indicate a surplus by 31 March 2014 of £172,950 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 2015/16 in proportion to the 2014/15 Band D Council Tax.

10.4 The calculation on the business rate income element of the Collection Fund currently indications a deficit balance of £1,314,000 as a result of a bigger than anticipated provision made in 2013/14 for outstanding appeals, giving rise to a higher than budgeted balance carried forward at 1.4.2014. 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 2015/16 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 18 February 2015.

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 2015/16 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 2015/16 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 £3,980,000.

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.

Pauline Adams
Financial Services Manager

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