Body: Cabinet

Date: 13 December 2016

Subject: Council Tax Base and Business Rate Income 2017/18

Report Of: Deputy Chief Executive

Ward(s) All

Purpose To approve the Council Tax Base and net yield from Business Rate Income for 2017/18 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 \textbf{33,923.7} for 2017/18.

ii) Note the indicative Retained Business Rates Income of for 2017/18, as set out below.

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 2017/18.

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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 preceding 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 preceding 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 2017/18 this totals 34,793.5 equivalent properties.

3.3 The Relevant Amount has increased by 237 properties (0.68%) Band D equivalent dwellings from 2016/17. This reflects expected growth in the number of taxable properties of 80 plus the effect of the changes to the Local Council Tax Reduction Scheme (LCTRS) agreed by the Council on 19 October 2016. The effect of these changes has resulted in an increase to the total number of chargeable dwellings of 244.

4.0 Collection Rate

4.1 The Collection Rate is the Council’s estimate of the proportion of the overall Council Tax collectable for 2017/18 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 The current level of council tax collection is forecast to show an in year surplus of £932,501 balance at the end of 2016/17, and this would indicate that the current collection rate of 97.25% should be adjusted upwards to 97.5% going forward.

5.0 Council Tax Base

5.1 Taking the Relevant Amount of 34,793.5 and applying the Collection Rate of 97.5% produces a Council Tax Base for 2017/18 of 33,923.7.

5.2 The Council Tax Base has increased by 0.94% compared with 2016/17. This is equivalent to an increase of 318 Band D dwellings. The detailed 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 33,942.

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 2017/18 financial year must be approved by 31 January 2017.

6.2 To calculate the amount of business rates payable by the ratepayer, the rateable value of a property is multiplied by rate multiplier; for 16/17 this is 48.4p. Currently the business rates are based on the valuation list produced in 2010; this list is now in the process of being updated and new valuations will be effective from 1 April 2017. To date a draft list has been issued which will be updated in mid December and the final list published in March. The national increase in rateable values is 9.6%, the largest increase being in London at 23.7% and the lowest in the north-east being a decrease of 0.9%. The South-East average increase is 9.6%.

Nationally revaluation is not expected to raise extra revenue as the government plans to reduce the tax rate multiplier to offset the overall change in rateable value. Additionally to ensure that no ratepayer receives over inflation increases in bills a scheme of transitional relief will be introduced. Both of these measures are currently out to consultation and therefore are unknown at this time.

6.2 Along with the revaluation the process for making appeals has been
changed; this is intended to stop speculative appeals and speed up the process. Once all the facts have been checked as being correct, the ratepayer will have the responsibility to provide evidence as to why the rateable value should be changed. It is unknown at this time how many appeals will be received. The Council still has a number of appeals outstanding from the current list, which will be carried forward until settled. The provision for appeals will need to cover both existing and new appeals.

6.3 The Business Rate income is calculated using the Governments 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 2017/18 has not yet been released and until all the unknown issues mentioned above are resolved it is not possible at this current time to model the amount of expected business rate income for 2017/18.

However on the assumption that income levels will be the same an indicative figure for net business rates yield of £35.6m could be expected. This has been based using the 2010 valuation list, the rate multiplier uplifted by inflation and taking into account local changes to the RV for expected new and demolished properties.

6.4 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 The amount of business rates income payable to the General Fund is calculated by deducting tariff and levy payments from the amount of the local share of net business rate yield.

The system of tariff or top up payment is to redress the balance of business rate income nationally to ensure that no local authority is worse off as a result of it business rates at the outset of the rates retention scheme in 2013.

The levy rate allows authorities to retain their growth in an equivalent proportion to its baseline revenue. The levy has been set at 50% of the growth business rates income over the baseline allowance set by government.

DCLG are proposing through adjustments to the tariff/top up to counteract the changes to the Rateable Value and the multiplier, to make it revenue neutral for local authorities. This authority currently makes a tariff payment. Information on the level of the tariff payment will be announced as part of
the government grant settlement figures in the Autumn Statement.

Given the uncertainty about the amount of business rate yield and the tariff payment it is not possible at this time to calculate the amount that will be credited to the General Fund.

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 As the figures required to set the business rate income are not yet available, Cabinet is asked that delegated authority be given to the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, to determine the estimated net yield from Business Rate Income for 2017/18.

9.0 Business Rates Pooling

9.1 The council is working within a business rate pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority.

9.2 Under pooling, 50% of any growth in business rate income (the levy) is 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 first half year monitoring of the pool is showing that overall the forecast levy payments across all authorities is £2,120m (down £174,000 from the original NNDR1 figures supplied in January). Eastbourne’s share is estimated at £180,000.

9.4 DCLG have been informed of the intention to continue with the pool in 2017/18, subject to any matters arising from the provisional local government finance settlement.

10.0 Collection Fund Performance

10.1 As at 31 March 2016 the Collection fund showed a deficit of £206,003 (£1,403,477 Council Tax surplus and £1,609,480 Business Rates deficit). £352,606 is being recovered across Council Tax and Business Rates preceptors during 2016/17, leaving a balance of £146,607 to be distributed in 2017/18.

10.2 The Council has to estimate the overall surplus/deficit at 31 March 2017 and inform the precepting authorities in January 2017 of this estimate in order that the amount is included in the 2017/18 precept figures.

10.3 Current monitoring figures indicate a surplus by 31 March 2017 of £976,687 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 2017/18 in proportion to the 2016/17
Band D Council Tax.

10.4 The calculation on the business rate income element of the Collection Fund currently indicates a deficit balance of £433,324 as a result of a bigger than anticipated provision required for outstanding appeals. 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 2017/18 in accordance with the proportions given at 6.4 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 8 February 2017.

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 2017/18 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 2017/18 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 due to the uncertainty resulting from the new 2017 valuation list, the multiplier, the transitional relief scheme and the change to the tariff payment.

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
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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
Tax base report December 2015
Budget 2016/17 February 2016