

Report title	Council Tax Base and Business Rates (NDR) Net Rate Yield 2023-2024	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Obaida Ahmed Resources and Digital City	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	Alison.Shannon@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendations for decision:

The Cabinet is recommended to:

1. Set the Collection Fund Council Tax Base for 2023-2024 at 65,994.12 Band D equivalents.
2. Set the Collection Fund Business Rates, also referred to as Non-Domestic Rates (NDR), Net Rate Yield for 2023-2024 at £76.9 million.
3. Delegate authority to the Cabinet Member for Resources and Digital City, in consultation with the Director of Finance, to approve amendments to:
 - a. The final Business Rates Net Rate Yield as required as a result of changes to the NNDR 1 form (National Non-Domestic Rates return) by the Department for Levelling Up, Housing and Communities or data revisions and changes in projections.
 - b. The Council Tax Base as a result of any data revisions and changes in projections.

4. Approve the following extensions to the local Business Rates Discretionary Relief Policy:
 - a. In respect of charitable and voluntary organisations for one year from 1 April 2023
 - b. In respect of Retail, Hospitality and Leisure Business Rates relief scheme for one year from 1 April 2023
 - c. In respect of transitional relief for one year from 1 April 2023
 - d. In respect of supporting small businesses for one year from 1 April 2023
 - e. In respect of local newspaper relief for the period 1 April 2023 to 31 March 2025.
5. Delegate authority to the Director of Finance in consultation with the Head of Revenues and Benefits to award relief in individual cases which satisfy the criteria for the categories of discretionary rate relief in accordance with Section 47 Local Government Finance Act 1988.

1.0 Purpose

- 1.1 The purpose of this report is to set the estimates for Wolverhampton Collection Fund 2023-2024, which the Council manages on behalf of local precepting bodies and central government.
- 1.2 To seek approval to extend the Council's local scheme for Business Rates Discretionary Relief with effect from 1 April 2023.

2.0 Background

- 2.1 In accordance with the Local Government Finance Act 2012, the Council must set a Council Tax Base before the end of January which will be used to set the Council Tax Requirements for the following year. It represents the total number of Band D equivalent council taxpayers from whom the Council will collect Council Tax in the year ahead. The total tax collected is shared in agreed proportions with the West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authority.
- 2.2 The Council must also set a Business Rates baseline net rate yield which is used to estimate the amount that the authority will keep as its local share of Business Rates and pay over to the West Midlands Fire and Rescue Authority. It represents the total estimated liability for Business Rates, net of discounts and reliefs, in the Council's area for the year ahead.
- 2.3 The setting of the Council Tax Base and Business Rates baseline net rate yield both impact directly on the Council's General Fund budget and Medium Term Financial Strategy (MTFS).
- 2.4 The Council Tax Base for 2023-2024 must be determined by 31 January 2023 and notified to the precepting bodies on or before that date, so that they can use the information in setting their precepts for 2023-2024. This will determine cashflows between the Collection Fund and precepting bodies during 2023-2024.
- 2.5 The Business Rates baseline net yield must be determined by 31 January 2023 and notified to the Department for Levelling Up, Housing and Communities (DLUHC) on their NNDR 1 form. This will determine cashflows between the Collection Fund and the Council and the West Midlands Fire and Rescue Authority for 2023-2024.
- 2.6 In October 2016, Cabinet approved that the Council, as one of the Constituent Members of the West Midlands Combined Authority (WMCA), participates in a Business Rates retention pilot from April 2017, on a no financial detriment basis. As a result of entering into this pilot, the Council will: retain 99% of Business Rates, no longer receive Revenue Support Grant and receive a Top Up Grant adjustment to account for the net effect of the changes. The Council will continue to be part of the Business Rates retention pilot in 2023-2024.
- 2.7 The net yield calculation is based on the rateable values of businesses on the Valuation Office Agency's rating list, which is revalued every few years. The next revaluation will

come into effect from 1 April 2023, the last revaluation took place in 2017. The Council has been provided with the first draft list which details the updated rateable values for business premises within Wolverhampton; however, a second draft list is due to be issued on 9 January 2023 and it is unclear when the final list will be released, it may not be until March 2023. The Government provides transitional protection which mitigates the impact of any increases which may arise on businesses in the short term.

- 2.8 The NNDR 1 form has been issued by DLUHC in December 2022. Due to the draft listing increases, work has been ongoing to forecast the possible impact on transitional business protection, and potential appeals that may impact on the Business Rates net yield for 2023-2024, therefore, approval is sought to delegate authority to the Cabinet Member for Resources and Digital City, in consultation with the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2023.
- 2.9 On 17 November 2022, the Autumn Statement 2022 was announced. As part of this, the Government announced additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to 3% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. The previous Government policy was for a general limit of 2%, and 1% for adult social care.

3.0 Council Tax Base assumptions

- 3.1 The method used to calculate the Council Tax Base for 2023-2024 is set out in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012.
- 3.2 The calculation starts with the base figures from October 2022 and then adjusts these for known and projected growth.
- 3.3 The total Tax Base, expressed in terms of the number of Band D equivalents, has then been multiplied by a net collection rate of 96.20%.

Table 1 – Council Tax Base 2023-2024

	Number of Band D Equivalents
October 2022 baseline	79,046.08
Council Tax Reduction Scheme	(11,256.69)
New build and growth forecast	813.00
Total taxbase before collectability adjustment	68,602.39
Final taxbase including collectability adjustment	65,994.12

3.4 The Council Tax Base is expressed as Band D equivalents, however, within Wolverhampton the average property falls within Band A.

4.0 Business Rates yield estimates

4.1 The method used to calculate the Business Rates net rate yield for 2023-2024 is set out in the NNDR 1 form issued by central government and associated guidance.

4.2 It specifies that an authority starts with the base figures from December 2022 Valuation Office Agency (VOA) list, then adjusts them for known and projected growth in the base, reliefs and losses from appeals which are currently in hand.

4.3 As part of the Autumn Statement 2022, the Government announced that there would be a freeze on the multipliers used to calculate the business rates payable by ratepayers, together with reliefs to be awarded under the Council's discretionary powers, shown within section 5, agreeing to compensate Councils through Section 31 grant for the loss in income.

Table 2 – Business Rates net rates yield estimate 2023-2024

	£000
Baseline	109,065
Transitional Arrangements (net cost for CWC)	(8,744)
Transitional Arrangements (payable from DLUHC)	8,744
Mandatory reliefs	(15,153)
Unoccupied property	(2,132)
Discretionary reliefs	(5,454)
Losses on collection	(3,914)
Appeals	(4,300)
Disregarded Amounts in respect of Designated Areas	(853)
Cost of collection	(336)
Estimated net rate yield	76,923

4.4 As stated in paragraph 2.6 above, Cabinet approved that the City of Wolverhampton Council, as one of the Constituent Members of the WMCA, is participating in a 100% Business Rates retention pilot from April 2017, on a no financial detriment basis. As a result of entering into this pilot, the Council will: retain 99% of Business Rates, no longer receive Revenue Support Grant and receive a Top Up Grant adjustment to account for the net effect of the changes.

4.5 The NNDR 1 form has been issued by DLUHC in December 2022. Due to the draft listing increases, work has been ongoing to forecast the possible impact on transitional business protection, and potential appeals that may impact on the Business Rates net

yield for 2023-2024. There is greater uncertainty with appeals due to the closure of the 2017 rating list and the increased ratings in the 2023 rating list, therefore, approval is sought to delegate authority to the Cabinet Member for Resources and Digital City, in consultation with the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2023.

- 4.6 There is some complexity in identifying the true Business Rates growth between years due to Business Rates appeals and the 2023 revaluation, however, an approach to allocate the growth in the central share for 2017-2018 to 2022-2023 has been agreed with the WMCA. The assumed growth of £10.5 million attributed to the WMCA in 2022-2023, in line with the Investment Plan assumptions, has been apportioned for each authority pro rata to the aggregate Rateable Value at the start of the year, resulting in a contribution due from Wolverhampton of £800,300 (in 2021-2022 the contribution was £680,200).

5.0 Discretionary Rate Relief

- 5.1 Discretionary rate relief is granted under Section 47 of the Local Government Finance Act 1988.
- 5.2 The existing scheme relating to charitable and voluntary organisations provides either up to 20% of relief for registered charities (on top of 80% mandatory relief) or up to 100% of relief for organisations that are not established or conducted for profit.
- 5.3 Local newspaper relief is a discretionary rate relief of £1,500 reduction in business rates for eligible properties for the 2023-2025 financial years, which is required to be awarded as a discretionary reduction in accordance with government guidance and is fully reimbursed through Section 31 grant.
- 5.4 As part of the Spending Review 2022, the Government announced schemes to be awarded as a discretionary reduction in accordance with government guidance and is fully reimbursed through Section 31 grant, being:
- A. That there will be 75% discretionary business rates relief (currently 50%) for businesses in the retail, hospitality, and leisure sectors in 2023-2024 up to a cap of £110,000.
 - B. Support Small Business Scheme, where increases in the amount of business rates payable would be capped at £600 a year.
 - C. A new rating list is introduced with effect 1 April 2023, where all businesses have been subject to a revaluation of their rateable value based on 1 April 2021 values. To protect businesses from significant increases in their business rates bill, transitional protection will be awarded.
- 5.5 It is recommended that authority is given to the Director of Finance in consultation with the Head of Revenues and Benefits to award relief in individual cases which satisfy the

criteria for the categories of discretionary rate relief in accordance with Section 47 Local Government Finance Act 1988

6.0 Evaluation of alternative options

- 6.1 The Council Tax Base and the Business Rates Net Rate Yield have been prepared in accordance with relevant legislation.
- 6.2 The Council could choose not to extend the discretionary relief schemes.
- a. In respect of relief for charitable and voluntary organisations, this option has been discounted because of the beneficial impact to local communities of the services provided. In addition, there could potentially be increased demand for Council services should these services be withdrawn.
 - b. In respect the other business rates discretionary relief schemes, this option has been discounted as the criteria for award will match the requirement to be fully funded by Government and they provide an opportunity to reduce rates bills for local businesses.

7.0 Reasons for decisions

- 7.1 To comply with legislative requirements, Cabinet are recommended to approve the Council Tax Base and Business Rates Net Rate Yield for 2023-2024. This will inform the budget setting process for 2023-2024, for the Council and precepting bodies.
- 7.2 Approval is also sought to delegate authority to the Cabinet Member for Resources and Digital City, in consultation with the Director of Finance, to approve any final changes to the final Business Rates Net Rate Yield as required as a result of changes to the NNDR 1 form and the Council Tax Base reflecting any further information received ahead of the statutory deadline of 31 January 2023.
- 7.3 Extending the scheme for charitable and voluntary organisations continues to support a range of organisations providing support to vulnerable groups allowing the Council to foster good relations and enhance equal opportunities.
- 7.4 Providing discretionary rate relief to businesses in accordance with Government guidance reduces the business rate bill at no cost to the council.

8.0 Financial implications

- 8.1 The assumptions as reported to Cabinet on 19 October 2022, in the Draft Budget and Medium Term Financial Strategy 2023-2024 to 2025-2026, were in line with the previous Government policy on Council Tax referendum limits, which was 1.99% for Council Tax and 1% adult social care precept. Based on these assumptions and the recommended Council Tax base, this would generate income in the region of £123.6 million. As detailed in paragraph 2.9, on 17 November 2022 as part of the Autumn Statement 2022, Government announced additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to 3% per year from April 2023 and an

increase to the adult social care precept of 2%. This will be considered in the budget report to Cabinet in February 2023 and Council in March 2023.

- 8.2 Of the £76.9 million net rate yielded by Business Rates forecast to be collected in 2023-2024 the Council would retain £76.1 million under the 99% Business Rate retention scheme pilot. However, an element of the real terms growth in the central share of Business Rates will be passported to the West Midlands Combined Authority. Work is ongoing to determine this contribution for 2023-2024. An update will be provided in the Final Budget Report to Cabinet on 22 February 2023.
- 8.3 Work has been ongoing to forecast the Council Tax Base and Business Rates net rate yield for 2023-2024, however, approval is sought to delegate authority to the Cabinet Member for Resources and Digital City, in consultation with the Director of Finance, to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2023; this figure is therefore preliminary and subject to change. The final position will be reported in the Final Budget Report to Cabinet on 22 February 2023.
- 8.4 Under the 99% business rates retention scheme, the cost to the Council of awarding discretionary (charitable and voluntary organisations) relief in 2023-2024 will be in the region of £619,000.
- 8.5 There are no direct financial costs for awards of discretionary rate relief for the Retail, Hospitality and Leisure Business Rates Relief scheme, transitional relief and supporting small businesses schemes, as they will be funded by Section 31 grant.
[SH/10012023/V]

9.0 Legal implications

- 9.1 The relevant legislation is contained in the body of the report and the recommendations will ensure the Council complies with the relevant legislation.
- 9.2 Section 47 of the Local Government Finance Act 1988 gives discretionary power to billing authorities to grant partial or full relief to certain categories of non-domestic ratepayer. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 allow for this relief to be restricted to a fixed period.
- 9.3 It will be for the Council to adopt a local scheme and determine in each individual case, having regard to the Government's guidance to grant relief and ensure that any relief granted does not transgress subsidy control limits.
[TC/10012023/B]

10.0 Equalities implications

- 10.1 The method by which the MTFs and supporting resources, including those detailed in this report for 2023-2024 are developed, is governed by the Council Plan priorities, which itself was guided by consultation and equality analysis. All of this will enable Councillors

to pay, “due regard” to the equalities impact of their budget decisions at that point in the budget development process. The resulting and final report to Cabinet and Council will contain a supporting equality analysis that will offer information across the whole range of proposals and in doing so enable Councillors to discharge their duty under Section 149 of the Equality Act 2010.

11.0 All other implications

11.1 There are no other implications arising from this report.

12.0 Schedule of background papers

12.1 [Draft Budget and Medium Term Financial Strategy 2023-2024 to 2025-2026](#), Report to Cabinet, 19 October 2022