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| Report title | Council Tax Base and Business Rates (NDR) Net Rate Yield 2019-2020 | |
| Decision designation | AMBER | |
| Cabinet member with lead responsibility | Councillor Louise Miles Resources | |
| 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 |
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| Report to be/has been considered by | Corporate Leadership Team | 8 January 2019 |
| | Strategic Executive Board | 11 January 2019 |

Recommendations for decision:

The Cabinet is recommended to:

1. Set the Collection Fund Council Tax Base for 2019-2020 at 63,996.44 Band D equivalents.
2. Set the Collection Fund Business Rates, also referred to as Non-Domestic (NDR), Net Rate Yield for 2019-2020 at £74.4 million.
3. Delegate authority to the Cabinet Member for Resources, 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 NNDR1 form (National Non-Domestic Rates return) by the Ministry of Housing, Communities and Local Government or data revisions and changes in projections;
 - b. The Council Tax Base as a result of any data revisions and changes in projections.

1.0 Purpose

- 1.1 To set the estimates for the Wolverhampton Collection Fund for 2019-2020, which the Council manages on behalf of local precepting bodies and central government.

2.0 Background

- 2.1 The Local Government Finance Act 2012 made a number of significant changes to the operation of local government finance. The two most important in relation to this report were:
- a. The abolition of Council Tax Benefit (in the Welfare Reform Act 2011) and its replacement by the requirement to establish a local Council Tax discount scheme in the Local Government Finance Act 2012.
 - b. The localisation of the Business Rates, also referred to as Non-Domestic Rates (NDR), such that a proportion of the change from a baseline set at the beginning of the year will be borne by the administering local authority. This means that local authorities can both benefit from, and are exposed to, variation in local business rates.
- 2.2 The Council must set a Council Tax Base before the end of January which will be used to set the Council Tax Requirement for the following financial year. It represents the total number of Band D equivalent council tax payers 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 Service.
- 2.3 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 Service. It represents the total estimated liability for business rates, net of discounts and reliefs, in the Council's area for the year ahead.
- 2.4 The setting of the Council Tax Base and the Business Rates baseline net rate yield both impact directly on the Council's General Fund budget and Medium Term Financial Strategy (MTFS).
- 2.5 The Council Tax Base for 2019-2020 must be determined by 31 January 2019 and notified to the precepting bodies on or before that date, so that they can use the information in setting their precepts for 2019-2020. This will determine cashflows between the Collection Fund and precepting bodies during 2019-2020.
- 2.6 The Business Rates baseline net rate yield must be determined by 31 January 2019 and notified to the Ministry of Housing, Communities and Local Government (MHCLG) on their NNDR1 form. This will determine cashflows between the Collection Fund and the Council and the West Midlands Fire Service during 2019-2020.

- 2.7 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 2019-2020.
- 2.8 The NNDR1 form was issued by the MHCLG on 17 December 2018. Work has been ongoing to forecast the business rates net yield for 2019-2020, however approval is sought to delegate authority to the Cabinet Member for Resources 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 2019.

3.0 Council Tax Base Estimate

- 3.1 The method used to calculate the Council Tax Base for 2019-2020 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 December 2018 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 97.24%.

Table 1 – Council Tax Base 2019-2020

| | Number of Band D Equivalents |
|--|------------------------------|
| December 2018 baseline | 76,798.13 |
| Council Tax Reduction Scheme | (11,769.29) |
| New build and growth to March 2019 | 784.00 |
| Total taxbase before collectability adjustment | 65,812.85 |
| Final taxbase including collectability adjustment | 63,996.44 |

- 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 2019-2020 is set out in the NNDR1 form issued by central government and associated guidance.
- 4.2 It specifies that an authority starts with the base figures from the October 2018 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.

Table 2 – Business Rates Net Rate Yield Estimate 2019-2020

| | £000 |
|--|---------------|
| Baseline | 95,165 |
| Transitional Arrangements (net cost for CWC) | (293) |
| Transitional Arrangements (payable from CLG) | 293 |
| Mandatory reliefs | (14,357) |
| Unoccupied property | (2,822) |
| Discretionary reliefs | (739) |
| Losses on collection | (1,236) |
| Appeals | (1,200) |
| Disregarded Amounts in respect of Designated Areas | (86) |
| Cost of collection | (331) |
| Net rate yield | 74,394 |

- 4.3 As stated in paragraph 2.7 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.
- 4.4 The NNDR1 form was issued by the Ministry for Housing, Communities and Local Government on 17 December 2018. Work has been ongoing to forecast the business rates net yield for 2019-2020, however approval is sought to delegate authority to the Cabinet Member for Resources in consultation with and the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2019.
- 4.5 There is some complexity in identifying the true business rates growth between years due to business rates appeals and the 2017 revaluation, however an approach to allocate the growth in the central share for 2017-2018 and 2018-2019 has been agreed with the WMCA. The assumed growth of £4.5 million attributable to the WMCA in 2018-2019, 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 from Wolverhampton in the region of £342,000 [In 2017-2018 the contribution was £228,000].

5.0 Evaluation of alternative options

- 5.1 The council tax base and the net business rates yield have been prepared in accordance with relevant legislation.

6.0 Reasons for decisions

- 6.1 To comply with legislative requirements, Cabinet are recommended to approve the Council Tax Base and Net Business Rates Yield for 2019-2020. This will inform the budget setting process for 2019-2020, for the Council and precepting bodies.
- 6.2 Approval is also sought to delegate authority to the Cabinet Member for Resources, 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 NNDR1 form and the council tax base reflecting any further information received ahead of the statutory deadline of 31 January 2019.

7.0 Financial implications

- 7.1 The recommended Tax Base, based on 2018-2019 levels, would provide the Council with council tax income, including adult social care precept, of £98.6 million. The MTFs assumes a council tax increase of 2.99% and a 2% adult social care precept for 2019-2020; at the recommended tax base the total council tax income would be in the region of £103.5 million.
- 7.2 Of the £74.4 million net rate yielded by business rates forecast to be collected in 2019-2020 the Council would retain £73.7 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 2019-2020. An update will be provided in the Final Budget Report to Cabinet on 20 February 2019.
- 7.3 The NNDR1 form was issued by the Ministry for Housing, Communities and Local Government on 17 December 2018. Work has been ongoing to forecast the business rates net yield for 2019-2020, however approval is sought to delegate authority to the Cabinet Member for Resources 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 2019; this figure is therefore preliminary and subject to change. The final position will be reported in the Final Budget Report to Cabinet on 20 February 2019.
[MH/04012019/H]

8.0 Legal implications

- 8.1 The relevant legislation is contained in the body of the report and the recommendations will ensure that the Council complies with the relevant legislation [TS/03012019/T]

9.0 Equalities implications

- 9.1 There are no direct equalities implications arising from this report. A cumulative equality analysis will be included in the final draft budget report that will be presented to Cabinet in February 2019 and Council in March 2019, to ensure that Councillors can pay due regard to the equalities impact of budget decisions.

10.0 Environmental implications

- 10.1 There are no direct environmental implications arising from this report.

11.0 Human resources implications

- 11.1 There are no direct human resources implications arising from this report.

12.0 Corporate landlord implications

- 12.1 There are no direct corporate landlord implications arising from this report.

13.0 Health and wellbeing implications

- 13.1 There are no direct health and wellbeing implications arising from this report.

14.0 Schedule of background papers

Council, 7 March 2018 – [‘Council Tax Formal Resolutions’](#)