

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 22 January 2020
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Report title	Council Tax Base and Business Rates (NDR) Net Rate Yield 2020-2021 and Provisional Finance Settlement	
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	Finance Leadership Team	8 January 2020

Recommendations for decision:

The Cabinet is recommended to:

1. Set the Collection Fund Council Tax Base for 2020-2021 at 64,726.80 Band D equivalents.
2. Set the Collection Fund Business Rates, also referred to as Non-Domestic (NDR), Net Rate Yield for 2020-2021 at £74.5 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.

Recommendations to note:

The Cabinet is asked to note:

1. The outcome of the 2020-2021 Provisional Local Government Finance Settlement.
2. That the final budget report presented to Cabinet on 19 February 2020 will reflect the outcome of the settlement, budget consultation, scrutiny work and detailed budget work for 2020-2021, including a review of all budget reduction proposals and the risks associated with their delivery.

1.0 Purpose

- 1.1 To set the estimates for the Wolverhampton Collection Fund for 2020-2021, which the Council manages on behalf of local precepting bodies and central government and to provide an update on the provisional finance settlement.

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 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 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 the 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 2020-2021 must be determined by 31 January 2020 and notified to the precepting bodies on or before that date, so that they can use the information in setting their precepts for 2020-2021. This will determine cashflows between the Collection Fund and precepting bodies during 2020-2021.
- 2.5 The Business Rates baseline net rate yield must be determined by 31 January 2020 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 and Rescue Authority during 2020-2021.
- 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 2020-2021.
- 2.7 The NNDR1 form was issued by the MHCLG on 18 December 2019. Work has been ongoing to forecast the business rates net yield for 2020-2021, 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 2020.

3.0 Council Tax Base Estimate

- 3.1 The method used to calculate the Council Tax Base for 2020-2021 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 2019 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 97.2%.

Table 1 – Council Tax Base 2020-2021

	Number of Band D Equivalents
December 2019 baseline	77,199.78
Council Tax Reduction Scheme	(11,425.42)
New build and forecast growth	821.33
Total taxbase before collectability adjustment	66,595.69
Final taxbase including collectability adjustment	64,726.80

- 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 2020-2021 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 2019 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 2020-2021

	£000
Baseline	97,601
Transitional Arrangements (net cost for CWC)	(294)
Transitional Arrangements (payable from CLG)	294
Mandatory reliefs	(14,813)
Unoccupied property	(3,099)
Discretionary reliefs	(2,090)
Losses on collection	(1,242)
Appeals	(1,256)
Disregarded Amounts in respect of Designated Areas	(291)
Cost of collection	(331)
Net rate yield	74,479

- 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 18 December 2019. Work has been ongoing to forecast the business rates net yield for 2020-2021, 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 2020.
- 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, 2018-2019 and 2019-2020 has been agreed with the WMCA. The assumed growth of £6.0 million attributable to the WMCA in 2019-2020, 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 of £450,000 [In 2018-2019 the contribution was £342,000].
- 5.0 Provisional Local Government Finance Settlement**
- 5.1 The Provisional Settlement was announced on the 20 December 2019. The key points arising from the announcement and the impact on the Council's Medium Term Financial Strategy (MTFS) are detailed in the paragraphs below.

Council Tax Referendum Limit

- 5.2 The Government confirmed the Council Tax Referendum limit at 1.99% for 2020-2021, which is in line with the assumptions built into the MTFS. In addition to this, the Government also confirmed that local authorities with adult social care responsibilities could raise an additional 2% in 2020-2021 via the adult social care precept, this is in line with the assumptions built into the MTFS.

New Homes Bonus

- 5.3 The Government have announced that the baseline growth level for New Homes Bonus will remain at 0.4% for 2020-2021, however, there are no legacy payments on the 2020-2021 allocations.
- 5.4 The Council's provisional allocation for 2020-2021 has been announced at £1.6 million, which includes an additional £287,000 for 2020-2021. This is slightly higher than the current assumptions in the MTFS for 2020-2021 of £250,000, however, as there will be no legacy payments on this amount, this reduces the assumptions in future years. The updated allocation will be reflected in the Final Budget Report to Cabinet on 19 February 2020.

Social Care Funding

- 5.5 On 16 October 2019, Cabinet were informed that the Government had announced that additional grant funding totalling £1 billion would be made available to local authorities in 2020-2021 for adult and children's social care. At that stage, the proposed formula for distribution of the grant and indicative funding allocations were out for consultation. The provisional settlement confirms that the Council's provisional allocation is £6.3 million. This allocation will be reflected in the Final Budget Report to Cabinet on 19 February 2020.
- 5.6 The Government have also confirmed the roll forward of the 2019-2020 Social Care Support, Winter Pressures and the Improved Better Care Fund grants. The Council's provisional allocations total £16.7 million, this is in line with the current assumptions built into the MTFS.

Other Grants

- 5.7 The Council's provisional allocation of Top Up Grant for 2020-2021 has been uplifted by inflation, this is an increase of approximately £445,000 above current assumptions. The updated allocation will be reflected in the Final Budget Report to Cabinet on 19 February 2020.
- 5.8 In June 2015, following the closure of the Independent Living Fund (ILF), the Government agreed to continue funding pre-existing ILF arrangements until the end of 2019-2020. The provisional settlement confirms the continuation of arrangement for 2020-2021 only. This is in line with the assumptions built into the MTFS.
- 5.9 The Troubled Families Programme was due to end in March 2020. In January the Government announced an additional £165 million to support the continuation of the Troubled Families Grant for 2020-2021. The grant is split into three elements, service transformation, attachment fee, and payment by results. The indicative service transformation fee for the council is £400,000. The grant payments for the attachment

fee and payment by results are dependent on the number of families supported. The maximum grant for these elements is £145,000 for the attachment fee and £532,000 for payment by results.

Government Consultation

- 5.10 The Government have released a consultation on the Provisional Settlement with responses to be provided by 17 January 2020.

Other Headlines

- 5.11 In addition to key headlines for the Council, as detailed in the paragraphs above, there were other key areas of interest announced as part of the provisional settlement including the following:
- The NHS contribution to the Better Care Fund will grow in line with planned additional investment in the NHS.
 - The Government are proposing not to set council tax referendum principles for Mayoral Combined Authorities in 2020-2021.
 - The Government are minded to set a council tax referendum principle for Police and Crime Commissioners, further information for police funding for 2020-2021 will be provided as part of the police funding settlement.
 - The Government will eliminate negative Revenue Support Grant in 2020-2021.

6.0 Evaluation of alternative options

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

7.0 Reasons for decisions

- 7.1 To comply with legislative requirements, Cabinet are recommended to approve the Council Tax Base and Net Business Rates Yield for 2020-2021. This will inform the budget setting process for 2020-2021, for the Council and precepting bodies.
- 7.2 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 2020.

8.0 Financial implications

- 8.1 The recommended Tax Base, based on 2019-2020 levels, would provide the Council with council tax income, including adult social care precept, of £104.7 million. The MTF5 assumes a council tax increase of 1.99% and a 2% adult social care precept for 2020-2021; at the recommended tax base the total council tax income would be in the region of £108.8 million.

8.2 Of the £74.5 million net rate yielded by business rates forecast to be collected in 2020-2021 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 2020-2021. An update will be provided in the Final Budget Report to Cabinet on 19 February 2020.

8.3 The NNDR1 form was issued by the Ministry for Housing, Communities and Local Government on 18 December 2019. Work has been ongoing to forecast the business rates net yield for 2020-2021, 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 2020; this figure is therefore preliminary and subject to change. The final position will be reported in the Final Budget Report to Cabinet on 19 February 2020.

[MH/07012020/Y]

9.0 Legal implications

9.1 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/09012020/W]

10.0 Equalities implications

10.1 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 2020 and Council in March 2020, to ensure that Councillors can pay due regard to the equalities impact of budget decisions.

11.0 Climate change and environmental and implications

11.1 There are no direct climate change and environmental implications arising from this report.

12.0 Human resources implications

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

13.0 Corporate landlord implications

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

14.0 Health and wellbeing implications

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

15.0 Schedule of background papers

15.1 Council, 6 March 2019 – [‘Council Tax Formal Resolutions’](#)