

Report title	Council Tax Base and Business Rates (NDR) Net Rate Yield 2024-2025 and Update on the Provisional Local Government 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	James Howse, Interim Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon Tel Email	Deputy Director of Finance 01902 554561 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 2024-2025 at 66,645.60 Band D equivalents.
2. Set the Collection Fund Business Rates, also referred to as Non-Domestic Rates (NDR), Net Rate Yield for 2024-2025 at £78.6 million.
3. Delegate authority to the Cabinet Member for Resources, in consultation with the interim 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 2024.
 - b. In respect of Retail, Hospitality and Leisure Business Rates relief scheme for one year from 1 April 2024.
 - c. In respect of transitional relief for the period from 1 April 2024 to 31 March 2026.
 - d. In respect of supporting small businesses for the period from 1 April 2024 to 31 March 2026.
 - e. In respect of Improvement Relief for the period from 1 April 2024 to 31 March 2029.
 5. Agree that applications for discretionary rate relief should be made within the financial year for which relief is being sought effective from 1 April 2024. Delegate authority to the interim Director of Finance in consultation with the Head of Revenues and Benefits to award relief in exceptional circumstances for applications received after this time.
 6. Delegate authority to the interim 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.

Recommendation for noting:

That Cabinet is asked to note:

1. The outcome of the 2024-2025 Provisional Local Government Finance Settlement.

1.0 Purpose

- 1.1 The purpose of this report is to set the estimates for Wolverhampton Collection Fund 2024-2025, which the Council manages on behalf of local precepting bodies and central government and to seek approval to extend the Council's local scheme for Business Rates Discretionary Relief with effect from 1 April 2024.
- 1.2 In addition, this report provides an update on the Provisional Local Government Finance Settlement announced on 18 December 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 2024-2025 must be determined by 31 January 2024 and notified to the precepting bodies on or before that date, so that they can use the information in setting their precepts for 2024-2025. This will determine cashflows between the Collection Fund and precepting bodies during 2024-2025.
- 2.5 The Business Rates baseline net yield must be determined by 31 January 2024 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 2024-2025.
- 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 2024-2025.

- 2.7 The NNDR 1 form has been issued by DLUHC in December 2023. Work has been ongoing to forecast the Business Rates net yield for 2024-2025, however, approval is sought to delegate authority to the Cabinet Member for Resources, in consultation with the interim Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2024.
- 2.8 On 5 December 2023, the Government issued its 'Local Government Finance Policy Statement 2024 to 2025'. As part of this, the Government proposed the continuation of a Council Tax referendum limit for increases in Council Tax of up to 3% and for local authorities with social care responsibilities, the continuation of the adult social care precept of 2%. This was confirmed in the Provisional Local Government Finance Settlement and is in line with the assumptions built into the MTF5.

3.0 Council Tax Base assumptions

- 3.1 The method used to calculate the Council Tax Base for 2024-2025 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 2023 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 an assumed eventual net collection rate of 97.11%

Table 1 – Council Tax Base 2024-2025

	Number of Band D Equivalents
October 2023 baseline	79,159.67
Council Tax Reduction Scheme	(10,980.43)
New build and growth forecast	451.00
Total taxbase before collectability adjustment	68,630.24
Final taxbase including collectability adjustment	66,645.60

- 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 2024-2025 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 31 December 2023 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 2023, the Government announced that there would be a freeze on the small business multiplier, whereas the standard rate multiplier will be uplifted in line with CPI inflation. The multipliers are 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 2024-2025

	£000
Baseline	115,904
Transitional Arrangements (net cost for CWC)	(4,148)
Transitional Arrangements (payable from DLUHC)	4,148
Mandatory reliefs	(18,429)
Unoccupied property	(2,700)
Discretionary reliefs	(7,126)
Losses on collection	(4,545)
Appeals	(3,276)
Disregarded Amounts in respect of Designated Areas	(922)
Cost of collection	(336)
Estimated net rate yield	78,570

- 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 2023. Work has been ongoing to forecast the Business Rates net yield for 2024-2025, however, approval is sought to delegate authority to the Cabinet Member for Resources, in consultation with the interim Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2024.
- 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 2023-2024 has been agreed with the WMCA. The assumed growth of £12.0 million attributed to the WMCA in 2023-2024, 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 £939,900 (in 2022-2023 the contribution was £800,300).

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 In the Autumn Statement on 22 November 2023, the Government announced that there will be a continuation of the 75% discretionary business rates relief for businesses in the retail, hospitality, and leisure sectors in 2024-2025 up to a cap of £110,000. These are awarded as a discretionary reduction in accordance with government guidance and is fully reimbursed through Section 31 grant.
- 5.4 Transitional relief limits how much the business rates bill can increase during the financial year because of the business rates revaluation.
- 5.5 Supporting small business relief was introduced following the revaluation on 1 April 2023 to limit the loss of those businesses who have seen increases in their business rates bill, which is restricted to £600 for each financial year from 1 April 2023 to 31 March 2026.
- 5.6 The Non-Domestic Rating Act 2023 introduced Improvement Relief to support businesses wishing to invest in their property, to provide the ratepayer with 12 months before seeing an increase in their business rates bill, because of qualifying improvements to the property that they occupy. The relief is due to commence from 1 April 2024 and will apply to works completed by 31 March 2028. This scheme will be delivered through a certificated reduction in their rateable value for the 12 months.
- 5.7 The Non-Domestic Rating Act 2023 removed the restriction in section 47(7) of the Local Government Finance Act 1988 on backdating of decisions concerning discretionary rate relief. This requires the Council to implement its own rules regarding the degree of enabling retrospective discretionary rate relief. It is recommended that applications are required within the financial year for which relief is being sought. Accepting applications made after this time is recommended to be at the discretion of the interim Director of Finance in consultation with the Head of Revenues and Benefits where sufficient reasons justify retrospective awards, such as late notification of a business assessment by the Valuation Office Agency.
- 5.8 It is recommended that authority is given to the interim 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 Provisional Local Government Finance Settlement

- 6.1 The provisional local government finance settlement was announced on the 18 December 2023.
- 6.2 It was announced that there is a national increase in core spending power of 6.5%. The projected increase in core spending power for Wolverhampton based on the provisional figures released by Government is an increase of 6.2%.
- 6.3 The key points arising from the announcement are detailed in the paragraphs below.

Council Tax and Adult Social Care Precept Referendum Limit

- 6.4 As detailed in paragraph 2.8, The Government confirmed the proposed Council Tax referendum limits at up to 3% for Council Tax and up to 2% for Adult Social Care precept. This is in line with the assumptions built into the draft 2024-2025 budget.

Business rates Multiplier

- 6.5 It was announced as part of the Autumn Statement 2023, that the small business rates multiplier will be frozen at 49.9p and there will be an increase to the standard rate multiplier of 6.7% (from 51.2p to 54.6p). The approach in applying inflation requires local authorities to be compensated for the inflation increase lost to the small business rates multiplier element of their taxbase through a section 31 grant. These figures are projected from the NNDR 1 return as outlined in section 4 and are still subject to validation. The Final Budget report which will be presented to Cabinet in February will be updated to reflect the final figures.

New Homes Bonus

- 6.6 The Government announced that the New Homes Bonus will continue in the same format as 2023-2024 for 2024-2025 with no legacy payments. The Council's provisional allocation is £15,000, this is not currently assumed in the 2024-2025 draft budget. The allocation for 2023-2024 was £709,000.

Services Grant

- 6.7 The Services Grant allocation has reduced nationally from £483 million in 2023-2024 to £77 million in 2024-2025. The 2024-2025 draft budget currently assumes that this grant continued at the 2023-2024 level of £3.2 million. However, the Council's provisional allocation for 2024-2025 is £507,000, a reduction of £2.7 million. This reduced allocation will be reflected in the Final Budget Report to Cabinet in February 2024.

Social Care Grants

- 6.8 Local authorities receive a number of social care grants to support pressures across adult and children's social care, some of which have conditions attached to them. The Government have announced a national increase across these grants of £1,380 million. The provisional allocation for the Council is £53.6 million, an increase of £1.9 million on

our current working assumptions. However, of this £1.2 million relates to the Market Sustainability and Improvement Fund - Workforce Fund which was announced in July 2023. The Council's allocation for 2023-2024 is £2.1 million. The Final Budget Report to Cabinet in February will be updated to reflect the revised allocation, however, it is anticipated that this will support costs pressures across Adults and Children's social care.

Government Consultation

6.9 The Government have released a consultation on the Provisional Settlement with responses to be provided by 15 January 2024.

7.0 Evaluation of alternative options

7.1 The Council Tax Base and the Business Rates Net Rate Yield have been prepared in accordance with relevant legislation.

7.2 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.

7.3 The Council could choose not to award any period of backdating for discretionary relief schemes. This has been discounted due to the charitable and non-profit making organisations generally requiring a period of time to be aware of and submit the necessary information in support of an application. There are also situations which are outside of the control of the organisation, such as delays in notification of a rateable value by the Valuation Office Agency.

8.0 Reasons for decisions

8.1 To comply with legislative requirements, Cabinet are recommended to approve the Council Tax Base and Business Rates Net Rate Yield for 2024-2025. This will inform the budget setting process for 2024-2025, for the Council and precepting bodies.

8.2 Approval is also sought to delegate authority to the Cabinet Member for Resources, in consultation with the interim 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 2024.

- 8.3 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.
- 8.4 Providing discretionary rate relief to businesses in accordance with Government guidance reduces the business rate bill at no cost to the Council.
- 8.5 The Council is required to determine an effective date for eligibility to discretionary rate relief following changes in legislation.

9.0 Financial implications

- 9.1 The assumptions as reported to Cabinet on 18 October 2023, in the Draft Budget 2024-2025 and Medium Term Financial Strategy, were in line with Government policy on Council Tax referendum limits, which is up to 3% for Council Tax and 2% adult social care precept. Based on these assumptions and the recommended Council Tax base, this would generate income in the region of £133.6 million.
- 9.2 Of the £78.6 million net rate yielded by Business Rates forecast to be collected in 2024-2025 the Council would retain £77.8 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 2024-2025. An update will be provided in the Final Budget Report to Cabinet on 21 February 2024.
- 9.3 Work has been ongoing to forecast the Council Tax Base and Business Rates net rate yield for 2024-2025, however, approval is sought to delegate authority to the Cabinet Member for Resources, in consultation with the interim Director of Finance, to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2024; this figure is therefore preliminary and subject to change. The final position will be reported in the Final Budget Report to Cabinet on 21 February 2024.
- 9.4 Under the 99% business rates retention scheme, the cost to the Council of awarding discretionary (charitable and voluntary organisations) relief in 2024-2025 will be in the region of £675,000.
- 9.5 There are no direct financial costs for awards of discretionary rate relief for the Retail, Hospitality, and Leisure Business Rates Relief scheme, supporting small business, transitional relief and improvement relief schemes, as they will be funded by Section 31 grant.
[SH/09012024/Z]

10.0 Legal implications

- 10.1 The relevant legislation is contained in the body of the report and the recommendations will ensure the Council complies with the relevant legislation.

- 10.2 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.
- 10.3 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/0912024/D]

11.0 Equalities implications

- 11.1 The method by which the MTFs and supporting resources, including those detailed in this report for 2024-2025 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.

12.0 All other implications

- 12.1 There are no other implications arising from this report.

13.0 Schedule of background papers

- 13.1 [Draft Budget 2024-2025 and Medium Term Financial Strategy](#), Report to Cabinet, 18 October 2023