

Cabinet Meeting

18 January 2017

Report title	Council Tax Base and Business Rates (NDR) Net Rate Yield 2017/18	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye	Chief Accountant
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Report to be/has been considered by	n/a	

Recommendation(s) for action or decision:

The Cabinet is recommended to:

1. Set the Collection Fund Council Tax Base for 2017/18 at 61,397.45 Band D equivalents.
2. Set the Collection Fund Business Rates, also referred to as Non-Domestic Rates (NDR), Net Rate Yield for 2017/18 at £71.7 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 Department for Communities and Local Government (DCLG) 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 2017/18, 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:
- 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.
 - The localisation of 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 and central government. 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.
- 2.5 The Council Tax Base for 2017/18 must be determined by 31 January 2017 and notified to the West Midlands Police and Crime Commissioner and the West Midlands Fire Service on or before that date, so that they can use the information in setting their precepts for 2017/18. This will determine cashflows between the Collection Fund and precepting bodies during 2017/18.
- 2.6 The Business Rates baseline net rate yield must be determined by 31 January 2017 and notified to the Department for Communities and Local Government (DCLG) on their NNDR1 form. This will determine cashflows between the Collection Fund and central government and the Collection Fund and the West Midlands Fire Service during 2017/18.

- 2.7 The completion of the NNDR1 Form which sets the Business Rates baseline net rate yield has been a requirement since the Local Government Finance Act 1988 and has to date been completed by employees. Following the localisation of NDR the legislative requirement of the Local Government Finance Act 2012 referred to at paragraph 2.1 of this report, the NNDR1 Form takes on greater significance, in that, it provides the forecasting information upon which the retention of Business Rates on behalf of the Authority will be based.
- 2.8 In October 2016, Cabinet approved that the City of Wolverhampton Council, as one of the Constituent Members of the West Midlands Combined Authority, will participate 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. Further detailed work is currently being undertaken to incorporate these changes into the Council's Medium Term Financial Strategy.
- 2.9 In addition to this, the 2017 Revaluation of business premises will come into effect from 1 April 2017. The Council has been provided with a draft list which details the updated rateable values for business premises within Wolverhampton; however the final list will not be available until March 2017.
- 2.10 Work is also underway to assess the implications arising as a result of changes to the Small Business Rate Relief and transitional arrangements as Northgate Solutions, the Council's supplier for council tax and business rates software, are yet to release an updated version of the software which incorporates these technical changes.
- 2.11 For this reason, approval is sought to delegate authority to the Cabinet Member for Resources and the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2017.

3.0 Council Tax Base Estimate

- 3.1 The method used to calculate the Council Tax Base for 2016/17 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 2016 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 97.09%.

Table 1 - Council Tax Base 2017/18

	Number of Band D equivalents
December 2016 baseline	76,075.72
Council Tax Reduction Scheme	(13,021.16)
New build and growth to March 2017	181.00
Total taxbase before collectability adjustment	63,235.56
Final taxbase including collectability adjustment	61,397.45

4.0 Business Rates Yield Estimate

- 4.1 The method used to calculate the Business Rates net rate yield for 2017/18 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 September 2016 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. In particular, this includes the effect of the transition of schools to academy status.

Table 2 - Business Rates Net Rate Yield Estimate 2017/18

	£000
Baseline	91,765
Mandatory reliefs	(12,508)
Unoccupied property	(1,838)
Discretionary reliefs	(781)
Losses on collection	(1,533)
Appeals	(3,083)
Cost of collection	(337)
Net rate yield	71,685

- 4.3 As stated in paragraph 2.8 above, Cabinet approved that the City of Wolverhampton Council, as one of the Constituent Members of the West Midlands Combined Authority, will participate 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 In addition to this, the 2017 Revaluation of business premises will come into effect from 1 April 2017. The Council has been provided with a draft list which details the updated rateable values for business premises within Wolverhampton; however the final list will not be available until March 2017. It is important to note that, regeneration within the City

of Wolverhampton, in line with objectives in the Council's Corporate Plan, is having a medium term negative effect on business rates income generation, however it is anticipated that this regeneration will have a significant positive impact on business rates yield in the longer term.

- 4.5 Work is also underway to assess the implications arising as a result of changes to the Small Business Rate Relief and transitional arrangements as Northgate Solutions, the Council's supplier for council tax and business rates software, are yet to release an updated version of the software which incorporates these technical changes.
- 4.6 It is therefore very difficult to arrive at an accurate forecast of the business rates for 2017/18 at this stage, however further detailed work is currently being undertaken to incorporate these changes into the Council's Medium Term Financial Strategy.
- 4.7 For this reason, approval is sought to delegate authority to the Cabinet Member for Resources and the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2017.

5.0 Financial implications

- 5.1 The recommended Tax Base, based on 2016/17 levels, would provide the Council with council tax income, including adult social care precept, of £87.4 million.
- 5.2 Of the £71.7 million net rate yielded by business rates forecast to be collected in 2017/18 the Council would retain £35.1 million under the 49% business rate retention scheme. When compared to the approved Medium Term Financial Strategy, the forecast business rates income for 2017/18 is approximately £3.5 million lower than previously anticipated.
- 5.3 Factors including the 100% business rate retention pilot, the 2017 Revaluation of business premises, changes to reliefs and transitional arrangements, as detailed in paragraphs 4.3 – 4.5 above, have made it very difficult to arrive at an accurate forecast of the business rates for 2017/18 at this stage. Further detailed work is currently being undertaken to understand the impact on the Council's Medium Term Financial Strategy.
- 5.4 For this reason, approval is sought to delegate authority to the Cabinet Member for Resources and the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2017; this figure is therefore preliminary and subject to change.

[MH/09012017/Y]

6.0 Legal implications

6.1 Relevant legislation is contained in the body of the report.

[RB/08012017/W]

7.0 Equalities implications

7.1 There are no direct equalities implications arising from this report.

8.0 Environmental implications

8.1 There are no direct environmental implications arising from this report.

9.0 Human resources implications

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

10.0 Corporate landlord implications

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

11.0 Schedule of background papers

11.1 Council Tax Formal Resolutions, report to Full Council, 3 March 2016.