

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 8 December 2021
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Report title	Council Tax Base and Business Rates (NDR) Net Rate Yield 2022-2023 and Draft Budget Update 2022-2023	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Ian Brookfield Leader of the Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Alison Shannon Tel Email	Chief Accountant 01902 554561 alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	29 November 2021

Recommendations for decision:

The Cabinet is recommended to:

1. Set the Collection Fund Council Tax Base for 2022-2023 at 64,936.94 Band D equivalents.
2. Set the Collection Fund Business Rates, also referred to as Non-Domestic (NDR), Net Rate Yield for 2022-2023 at £65.6 million.
3. Delegate authority to the Leader of the Council in consultation with the Director of Finance to approve amendments to:
 - a. The final Business Rates Net 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.

Recommendations for noting:

That Cabinet is asked to note:

1. The impact on the draft budget strategy for 2022-2023 including the headlines arising from the Spending Review 2021.
2. That the final budget report presented to Cabinet in February 2022 will reflect the outcome of the settlement and detailed budget work for 2022-2023, including a review of all budget reduction proposals and the risks associated with their delivery.
3. That for the purposes of the budget setting process an increase in council tax of 1.99% and a 1% adult social care precept is assumed for 2022-2023, in line with the Spending Review Statement.

1.0 Purpose

- 1.1 The purpose of this report is to set the estimates for Wolverhampton Collection Fund 2022-2023, which the Council manages on behalf of local precepting bodies and central government, and to provide an update on the draft budget strategy 2022-2023 following the headlines arising from the Spending Review 2021.

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 Base for 2022-2023 must be determined by 31 January 2022 and notified to the precepting bodies on or before that date, so that they can use the information in setting their precepts for 2022-2023. This will determine cashflows between the Collection Fund and precepting bodies during 2022-2023.
- 2.5 The Business Rates baseline net yield must be determined by 31 January 2022 and notified to the Department for Levelling Up, Housing and Communities (DLUHC) on their NNDR1 form. This will determine cashflows between the Collection Fund and the Council and the West Midlands Fire and Rescue Authority for 2022-2023.
- 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. It is anticipated that the Council will continue to be part of the business rates retention pilot in 2022-2023. As mentioned in section 3, the Council has seen a decline in the collection rate during 2020-2021 due to the pandemic however collection performance for 2021-2022 is now improving when compared to 2020-2021. The Council is currently working with other members of the pilot to review the revised business rates assumptions to ensure that the region is still in a no financial detriment position.

- 2.7 The NNDR1 form is expected to be issued by DLUHC in December 2021. Work has been ongoing to forecast the business rates net yield for 2022-2023, however, approval is sought to delegate authority to the Leader of the Council 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 2022.
- 2.8 On 27 October 2021, the Spending Review 2021 Statement was announced. As part of this, the Government announced that the referendum threshold for increases in council tax is expected to remain at 1.99% per year, which is in line with the assumptions built into the MTFS. Furthermore, the Government have announced that local authorities with social care responsibilities are expected to be able to increase the adult social care precept by up to 1% per year over the spending review period from 2022-2023 to 2024-2025.

3.0 Covid-19

- 3.1 Covid-19 has had a significant international, national and regional impact and will continue to do so over the short and medium term. The pandemic has significantly distorted the budget and MTFS. Due to this distortion, it is difficult to confirm the exact costs directly associated with the pandemic. It is important to note that the cost of dealing with the pandemic extend beyond the immediate period. It is not yet known how long the pandemic will go on for or what the level of future support will be required.
- 3.2 The economic costs of the pandemic will place additional pressures on the Council's income collected from council tax and business rates for years to come. The Council has seen a decline in the collection rate during 2020-2021 due to the pandemic however collection performance for 2021-2022 is now improving when compared to 2020-2021.
- 3.3 The Draft Budget and Medium Term Financial Strategy 2022-2023 to 2023-2024 reported to Cabinet on 20 October 2021, stated that there continues to be considerable uncertainty with regards to future funding streams for local authorities over the forthcoming multi-year Spending Review period and that the Covid-19 pandemic has significantly distorted the budget. This report provides an update on announcements made in the Spending Review Statement but notes that we are waiting on the Finance Settlement to provide further detail and clarity.
- 3.4 Whilst we still wait confirmation of the settlement, it is currently predicted that the Council is on track to set a balanced budget for 2022-2023, however, these proposals are mainly one-off and not sustainable over the medium term.

4.0 Council Tax Base Assumptions

- 4.1 The method used to calculate the Council Tax Base for 2022-2023 is set out in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012.

- 4.2 The calculation starts with the base figures from October 2021 and then adjusts these for known and projected growth. It also takes into account the increase in Local Council Tax Support claimants, when compared to pre Covid-19 pandemic levels, as a result of changes in circumstances due to the pandemic.
- 4.3 The total Tax Base, expressed in terms of the number of Band D equivalents, has then been multiplied by a net collection rate of 96.33%.

Table 1 – Council Tax Base 2022-2023

	Number of Band D Equivalents
October 2021 baseline	78,477.28
Council Tax Reduction Scheme	(11,815.90)
New build and growth forecast	748.00
Total taxbase before collectability adjustment	67,409.38
Final taxbase including collectability adjustment	64,936.94

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

5.0 Business Rates Yield Estimates

- 5.1 The method used to calculate the Business Rates net rate yield for 2022-2023 is set out in the NNDR1 form issued by central government and associated guidance.
- 5.2 It specifies that an authority starts with the base figures from December 2021 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.
- 5.3 As stated above, the Covid-19 pandemic has had a significant international, national and regional impact and will continue to do so over the short and medium term. During 2020-2021 and 2021-2022 in response to the Covid-19 pandemic, the Government have provided business rates reliefs particularly to businesses within the retail sector, for which the Council has been compensated by Section 31 grant to cover the reduction in business rates income. As part of the Spending Review 2021, the Government announced that there will be a 50% discretionary business rates relief (currently 66%) for businesses in the retail, hospitality and leisure sectors in 2022-2023 up to a cap of £110,000. Whilst we await confirmation of the criteria from Government, the projections below include the forecast cost of granting that relief. These assumptions could be subject to change once further guidance has been received.

Table 2 – Business Rates Net Rates Yield Estimate 2022-2023

	£000
Baseline	98,233
Transitional Arrangements (net cost for CWC)	(70)
Transitional Arrangements (payable from CLG)	70
Mandatory reliefs	(16,093)
Unoccupied property	(3,200)
Discretionary reliefs	(5,935)
Losses on collection	(3,118)
Appeals	(3,307)
Disregarded Amounts in respect of Designated Areas	(697)
Cost of collection	(332)
Estimated Net rate yield	65,551

- 5.4 As stated in paragraph 2.6 above, Cabinet approved that 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.
- 5.5 It is anticipated that the NNDR1 form will be issued by the Department for Levelling Up, Housing and Communities in December 2021. Work has been ongoing to forecast the business rates net yield for 2022-2023, however, approval is sought to delegate authority to the Leader of the Council 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 2022.
- 5.6 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 to 2021-2022 has been agreed with the WMCA. The assumed growth of £9.0 million attributed to the WMCA in 2021-2022, 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 £680,200 (in 2020-2021 the contribution was £564,300).
- 6.0 Draft Budget Strategy 2022-2023 - impact of the Spending Review 2021**
- 6.1 The Spending Review 2021 Statement was announced was announced on the 27 October 2021. 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. It is important to note that information is currently at a very high level; we are therefore unable to clarify what this means for specific grant allocations for Wolverhampton at this stage. It is anticipated that detailed allocations will be made available as part of the Provisional Local Government Finance Settlement, which is due mid-December 2021.

Council Tax Referendum Limit

- 6.2 The Government announced that the referendum threshold for increases in council tax is expected to remain at 1.99% per year, which is in line with the assumptions built into the MTFS.

Adult Social Care Precept

- 6.3 The Government have announced that local authorities with social care responsibilities are expected to be able to increase the adult social care precept by up to 1% per year over the spending review period from 2022-2023 to 2024-2025.
- 6.4 Taking account of the above, whilst we await further details as part of the Provisional Local Government Settlement, this report assumes an increase in council tax of 1.99%, in addition to the adult social care precept of 1%, totalling 2.99% for 2022-2023. This is in line with Government's provision for local authorities to access resources to deliver core services, and with regards to the adult social care precept to support the increasing costs in adult social care.
- 6.5 As reported to Cabinet in October 2021, in the Draft Budget and Medium Term Financial Strategy 2022-2023 to 2024-2025 report, Government announced proposals to levy additional funding from an increase in national insurance to fund cost pressures within health and social care. It is anticipated that additional funding of around £12 billion per year nationally will be raised through a 1.25% levy, based on national insurance contributions. Of this £5.4 billion will be used to fund social care between 2022-2023 and 2024-2025. The plans include a cap on the amount anyone will need to spend on their personal care over their lifetime, which will come into effect from October 2023. At the point of writing, it is not known to what extent any additional funding will cover the additional costs arising as a result of the proposals to reform social care. The Final Budget report which will be presented to Cabinet in February and Full Council in March 2022, will seek approval to this increase.

Business Rates Multiplier

- 6.6 The Government have announced that there would be a freeze on the business rates multiplier for 2022-2023 and local authorities will be compensated for the shortfall in income via a section 31 grant. At the point of writing, it is not known whether the section 31 grant will compensate for CPI at September 2021, or at an inflation level of 2% as in previous years. The Final Budget report which will be presented to Cabinet in February will be updated to reflect this change.
- 6.7 In addition to this as stated above, the Government have announced a 50% discretionary business rates relief (currently 66%) for businesses in the retail, hospitality and leisure sectors in 2022-2023 up to a cap of £110,000. This is expected to be funded via a Section 31 grant. At the point of writing, the Council awaits the publication of the NNDR1 which is due to be issued by the Department for Levelling Up, Housing and Communities in December 2021. This form will derive the level of Section 31 grant to be received.

Children and Families

- 6.8 Additional investment of £170 million in 2024-2025 has been announced by the Government to increase the hourly rate to be paid to early years providers to deliver free childcare hours.

- 6.9 £302 million investment will be provided to fund new programmes to support parents and parent-infant mental health support and rollout to Family Hubs across England.
- 6.10 The Government have stated that they will deliver significant support for pupils and teachers increasing the core schools budget in England by £4.7 billion by 2024-2025, an additional £2.6 billion capital funding for new school places for children with special educational needs and disabilities, plus £1.8 billion to recover lost learning as a result of the pandemic.
- 6.11 The Government have announced that there will be an increase in adult skills funding. £1.6 billion new investment will be provided for 16-19 year olds' education in England, enabling demographic growth and additional hours for learners who take T-Levels.

Other grants

- 6.12 The Spending Review announced that Public Health grant will be increased real terms. However, at the point of writing there are a number of grants including New Homes Bonus, where we await further details as part of the Provisional Local Government Finance Settlement.
- 6.13 At the time of writing this report, there continues to be considerable uncertainties with regards to future funding streams for local authorities over the forthcoming financial year and medium term and it is particularly challenging to establish a medium term financial strategy at this point in time. As further information is made available, it will be incorporated into the Council's MTFS and updates will be provided to Councillors in future budget reports. Any reduction in the Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term.

7.0 Evaluation of alternative options

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

8.0 Reasons for decisions

- 8.1 To comply with legislative requirements, Cabinet are recommended to approve the Council Tax Base and Net Business Rates Yield for 2022-2023. This will inform the budget setting process for 2022-2023, for the Council and precepting bodies.
- 8.2 Approval is also sought to delegate authority to the Leader of the Council, in consultation with the Director of Finance, to approve any final changes to the final Business Rates Net 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 2022.

9.0 Financial Implications

- 9.1 The recommended Tax Base, based on 2021-2022 levels, would provide the Council with council tax income, including adult social care precept, of £114.7 million. The MTFS

assumes a council tax increase of 1.99% for 2022-2023 and the option for a 1% adult social care precept for 2022-2023 was announced at Spending Review 2021. Therefore at the recommended tax base the total council tax income would be in the region of £118.1 million.

- 9.2 Of the £65.6 million net rate yielded by business rates forecast to be collected in 2022-2023 the Council would retain £64.9 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 2022-2023. An update will be provided in the Final Budget Report to Cabinet on 23 February 2022.
- 9.3 It is anticipated that the Provisional Local Government Finance Settlement and the NNDR1 form will be issued by the Department for Levelling Up, Housing and Communities in December 2021. As further information is made available, it will be incorporated into the Council's MTFS and final budget report which will be presented to Councillors in February and March 2022.
- 9.4 With the information that is currently available and incorporating the ongoing work to review emerging budget pressures, in the opinion of the Director of Finance the Council is on track to set a balanced budget for 2022-2023.
- 9.5 Work has been ongoing to forecast the council tax base and business rates net yield for 2022-2023, however, approval is sought to delegate authority to the Leader of the Council 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 2022; this figure is therefore preliminary and subject to change. The final position will be reported in the Final Budget Report to Cabinet on 23 February 2022.
[MH/30112021/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.
[TC/30112021/A]

11.0 Equalities Implications

- 11.1 The method by which the MTFS and supporting resources, including those detailed in this report for 2022-2023 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 The Covid implications are detailed in the body of this report.

13.0 Schedule of background papers

13.1 [Draft Budget and Medium Term Financial Strategy 2022-2023 to 2023-2024](#), report to Cabinet, 20 October 2021.