

APPENDIX B

WAVERLEY BOROUGH COUNCIL

SPECIAL EXECUTIVE – 22 JANUARY 2013

EXTRAORDINARY COUNCIL MEETING – 22 JANUARY 2013

Title:

SETTING OF COUNCIL TAX BASE AND BUSINESS RATE BASE FOR 2013/14

[Wards Affected: All]

Summary and Purpose

The purpose of this report is to seek approval of:

1. the 2013/2014 council tax base which, under the provisions of the Local Government Finance Act 1992, the Council is required to determine prior to approval of the Council's budget for 2013/2014, and,
2. the business rate forecast for 2013/2014 which, under the provisions of the Local Government Finance Act 2012, forms a major element of Waverley's estimated core funding for its General Fund Budget

How this report relates to the Council's Corporate Priorities:

This report is a key part of Waverley's budget setting which underpins the delivery of all of the Council's Corporate Priorities.

Equality and Diversity Implications:

There are no direct implications arising from this report.

Resource/Value for Money implications:

The council tax base is a measure of the taxable capacity within the Borough for council tax setting purposes. This report explains how the taxbase is calculated, what estimates are used and how they impact on the budget and council tax charges.

From 2013/14 under the business rate retention scheme, Waverley's forecast of business rate income is critical to the estimated core funding. This report explains the proposed business rate figures put forward for approval of the Council.

The incorporation of the council tax reduction scheme into the council tax base calculation from 2013/14 transfers significant risk to all precepting authorities. Increases in the take up for council tax reductions will lead to a shortfall of council tax income which will need to be recovered in the subsequent year's budget-setting process. Also, under the business rates retention scheme, Waverley takes the additional risk of fluctuations in the value of rates payable and amount of rates collected including reductions resulting from successful rating appeals. The position on both issues will need to be closely monitored in the year including greater liaison with the Valuation Office to assess the potential impact of appeals.

Legal Implications:

Waverley has a statutory duty to determine its council tax base by the 31 January each year as part of the budget process. The Local Government Finance Act 2012 included the requirement for Councils to set and operate a local council tax reduction scheme. The Act also included new flexibilities in the council tax rules regarding second and empty homes exemptions, discounts and premiums and the Council agreed its position on these issues in December 2012. These measures have an impact on the council tax base and this is explained in the report. The Local Government Finance Act 2012 also introduced the business rate retention scheme which fundamentally changes the way that business rates are used nationally to fund local government.

Council Tax Base 2013/2014

1. Under the provisions of the Local Government Finance Act 1992 (as amended), the Council must determine the council tax base to be used in setting the council tax in any year before approval of the Council's Budget for that year. The council tax base is the estimated total net number of properties subject to a council tax charge in the forthcoming year. The tax base figure is expressed in equivalent number of Band D properties using the specified band proportions (see below). The total band D equivalent council tax base is divided into Waverley's net budget requirement to determine the council tax charge for the year. Each individual town and parish council's tax base is also used to calculate the share for each authority. The Council will be determining the actual level of the council tax charge for each of the eight property valuation bands in each of the Town/Parish areas throughout the Borough at its meeting on 19th February 2013.

Calculation of the Council Tax Base

- a) The starting point for the council tax base calculation is the return (Form CTB1) which all billing authorities are required to submit to the Government each October which gives an estimate of the tax base position at that time. The return is based on the Valuation List provided by the District Valuation Officer which details the actual number of dwellings in the Borough broken down over each of the eight valuation bandings. The calculation then takes into account discounts and exemptions in place at that time. The resultant net number of dwellings in each band is then converted to Band D equivalents by applying the following ratios:

Band	Ratio to Band D
A	6/9 ths
B	7/9 ths
C	8/9 ths
D	1
E	11/9 ths
F	13/9 ths
G	15/9 ths
H	18/9 ths

The total number of Band D equivalents shown on CTB1 2013/14 is **55,498.1**

- b) The total of all Band D equivalents is then multiplied by its estimate of the 'collection rate' for the year, i.e. the Council's estimate of the percentage of the net collectable debit for the year it will ultimately, as billing authority, collect. In view of the high level of council tax collection in Waverley in recent years it is considered that a 'collection rate' of 99.0% remains appropriate in respect of the 2013/14 council tax year. This will be reviewed during the year and adjusted next year if appropriate, particularly given the potential impact of the localised council tax reduction scheme.
- c) There are twenty one Town/Parish Councils in Waverley and it is necessary for the information shown on Form CTB1 2013/14 to be analysed over each of the Town/Parish Council areas in order to determine the number of Band D equivalents for each of those areas.
- d) A summary of the Band D equivalent properties for each band in each Town/Parish Council, as included on the CTB1 form, is set out at Annexe 1.
- e) Since the CTB1 2013/14 form was completed in October 2012, the Government has confirmed the treatment within the council tax base calculation of the new council tax reduction scheme and the new council tax exemption and discounts flexibilities. In December 2012 the Council approved its changes to council tax exemptions and discounts for empty and second homes. At its Special meeting on the 22 January 2013, the Council will approve its Council Tax Reduction Scheme. From 2013/14, Waverley has to make its best estimates of the impact on the council tax base of these factors and these figures must be taken into account in the calculation for each town and parish Council and Waverley as a whole borough. The following table explains the basis if the estimates.

Change to council tax base	Basis of estimate
Changes to second and empty home discounts and exemptions	Incorporated the decisions taken by Council in December in the tax base for 2013/14 based on the actual numbers of each discount exemption at October 2012 for each council tax band in each town and parish area.
Council tax reduction scheme	Modelled the 2011/12 full year actual value of council tax benefit paid, converted to tax base equivalent dwellings using 2011/12 council tax charges for each council tax band in each town and parish. This has been used to estimate the reduction in council tax base in 2013/2014.

- f) The resultant council tax base for each town and parish, and for Waverley in total, is shown in Annexe 2. The total figure will be used to determine Waverley's council tax charges for 2013/14 and each town and parish council will be notified of their individual council tax base figure to enable them to approve their local council tax charge for the year.

Business Rates Estimates 2013/2014

2. Currently, billing authorities like Waverley act as a collection agent for the Government for business rates. There is an 'on-account' arrangement which results in all business rates collected being paid to the Government's central pool. The current central pooling system will be replaced in 2013/14 with the Government's new business rate retention scheme which will transform the flow of business rate income. However, the Government will continue to set the rateable value of all businesses and the rate multiplier and it will dictate the proportions of rate income that local authorities can keep after requiring them to pay various amounts to the Government.

3. From 2013/14, the retained part of business rates (after payments to Government and SCC) forms a key part of Waverley's core General Fund resources and it is, therefore, essential to make robust estimates of net business rate income to feed into the budget calculation. The following table illustrates how business rates links to the Council's funding from 2013/14:

Element	Estimated figures 2013/14
Estimated net rate yield – as per NNDR1 form for coming year	£35.860m
Less – central share at 50% paid to Govt.	£17.930m
Less – County share at 10% paid to SCC	£3.586m
Waverley's share	£14.344m
Less – tariff paid to Government (fixed base amount in 2013/14 but increased by RPI each year)	£12.117m
Net retained business rate income	£2.227m
Less - levy @50% (of any net retained income in excess of the Government's specified figure of £1.750m)	-£0.239m
Plus – safety net payment (if net retained income is less than Government's specified figure of £1.750m)	-
Retained funding for General Fund budget	£1,988m

4. Waverley has to submit a statutory form NNDR1 by 31st January each year which sets out the Council's estimated business rate position for the coming year. This form will confirm the estimated value of the payments to the Government and to SCC that Waverley will need to make during the year. If the actual position for the year is different from the estimate, adjustments are made through the collection fund and surpluses/deficits are apportioned across the organisations in line with the above proportions. Some of the figures on the NNDR1 form need to be presented as the actual current position but other key figures are subject to estimation. Those subject to estimation are summarised below with an explanation of the approach taken for the 2013/14 figures:

Key Estimates in 2013/14 Business Rates projection

Estimate	Approach taken
Cost of mandatory relief	Between 2011 and 2012 there has been an increase in the value of mandatory relief given to charities in the Borough. The 2013/14 estimate has been increased by a similar amount, £170k, compared to the October 2012 amount.
Cost of discretionary relief	In December 2012 the Council set the Discretionary rate relief policy for 2013/14 so these figures have been used to set the estimate.
Cost of empty property relief	An increase of approximately 10% has been added to the Oct 2012 actual figure to reflect the potential increase in empty properties in the 18-month period to March 2014
Loss in collection	This figure should reflect the amount of business rates that are eventually considered irrecoverable and written off. It does not represent the in-year collection rate (which was 98.4% in 2011/12). For 2013/14, a 1% non-collection rate has been assumed which is consistent with most other authorities in the area. Monitoring in the current year also supports this as being a prudent estimate.
Change in rateable value	Between March 2011 and March 2012 Waverley's rateable value reduced by 0.8%. The 2013/14 estimate projects a further similar reduction over the 18-month period October 2012 to March 2014
Impact of appeals in rates income	Whilst this is difficult to estimate as the Council does not know who will appeal to the Valuation Office for a reduced valuation over the next 15-months and which appeals will be successful, analysis of current live appeals and successful appeals in the previous year has informed the estimate for 2013/14 which is an overall reduction of £750,000.

5. Annexe 3 sets out the key figures included in the NNDR1 business rate estimate form. The figure that determines the payments to the Government and SCC and setting Waverley's budget is the 'Net Rate Yield' amount. Members are requested to approve the figures proposed for 2013/14 and a delegation is requested to enable officers, in conjunction with the finance portfolio holder, to make final adjustments if necessary before submitting the final form by 31st January. Currently the figure shows that Waverley will be able to retain rates in excess of the Government's indicative amount of £1.750m. It is proposed that any excess is set aside in a new Business Rates Equalisation Reserve which will help mitigate the risks of fluctuating rateable value base going forward. Also, as 2013/14 is the first year of the new system, this reserve will help cover the potential impact of the Government changing the business rate retention scheme early on.

Approval is sought for this measure in the budget report to be considered by the Council in February.

Business Rate Pooling

6. In the Autumn 2012 officers started to develop proposals for pooling business rates across all Surrey authorities under the new retention scheme to gain financial advantage, mainly in relation to paying a reduced 'levy' on business rate growth. At that time the saving in the levy was significant but in December the Government announced a cap on the levy paid for non-pooled authorities which changed the business case significantly. All Surrey authorities have now compiled their business rates estimates for 2013/14 and it is clear that there is now an additional cost to pooling rather than a saving which renders the financial case for pooling no longer viable so Waverley will not be pursuing this option.

Collection Fund

7. Waverley is required by law to operate a 'collection fund' which accounts for all incoming and outgoing transactions relating to council tax and business rates. Surpluses or deficits accruing on the collection fund are inevitable as estimates of a range of factors, including the collection rate, are made some 15 months before the end of the year in question. These amounts are apportioned across all preceptors. It is important to monitor the collection fund throughout the year and review estimates at each budget-setting process to ensure that surpluses or deficits are kept to a minimum.
8. This report is subject to the approval of the Council Tax Reduction Scheme report and, therefore, this report will fall if approval is not given.

Recommendation

That the Executive:

1. approves the council tax base for Waverley and for each of the Town/Parish Council areas for the year 2013/2014, as shown in Annexe 2;
 2. recommends to the Council to approve the business rate estimates for 2013/2014, as set out in Annexe 3, and to delegate authority to the Deputy Chief Executive, in conjunction with the Finance Portfolio Holder, to make any final changes necessary before the return is submitted to the Government on the 31 January 2013;
 3. notes that business rate pooling across the Surrey authorities is no longer viable in 2013/14; and
 4. recommends to the Council that in future years the approval of the business rates estimates be delegated to the Executive.
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Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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[Http://Sharepoint/Sites/Democratic/Executive/22 Jan 2013/Council Taxbase And NNDR Base.Doc](http://Sharepoint/Sites/Democratic/Executive/22 Jan 2013/Council Taxbase And NNDR Base.Doc)