

ITEM 14 – APPENDIX I

WAVERLEY BOROUGH COUNCIL EXECUTIVE – 3 DECEMBER 2013

Title:

SETTING OF COUNCIL TAX BASE AND BUSINESS RATE BASE FOR 2014/15

(Portfolio Holder: Mike Band)

(Wards Affected: All)

Summary and Purpose

The purpose of this report is to seek approval of:

1. the 2014/2015 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 2014/2015, and,
 2. the business rate forecast for 2014/2015 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.
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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.

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 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 2014/2015

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.

Calculation of the Council Tax Base

- a) The starting point for the council tax base calculation is the return (Form CTB (October 2013)) 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 plus assumptions about potential change in the year ahead (for example changes in uptake of the council tax reduction scheme). 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

- 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 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 2014/15 council tax year. This will be reviewed during the year and adjusted next year if appropriate, particularly as the localised council tax reduction scheme is still in its early stages.

- c) There are twenty one Town/Parish Councils in Waverley and it is necessary for the information shown on Form CTB1 2014/15 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. The potential ongoing impact of the council tax reduction scheme is also assessed for each town and parish council.
- d) The estimated council tax base, after taking account of assumptions about discounts, exemptions and council tax support, 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 2014/15 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.
- e) The total net estimated council tax base in 2014/2015 is 52,037 band D equivalent properties (51,534.9 in 2013/2014). The following table summarises the key changes on the overall 2014/15 estimated council tax base compared to 2013/14

Changes from 2013/14	Additional Properties	Band D Equivalent properties
Houses on VO List	+246	+307
Movement in assumptions on discounts, exemptions and the council tax support scheme	+164	+204
Growth in Tax Base	+410	+503

Business Rates Estimates 2014/2015

- 2. The new Business Rates Retention scheme replaced the previous central pooling system from 1st April 2013. The Government continues to set the rateable value of all businesses and the rate multiplier and dictates the proportions of rate income that local authorities can keep. In January 2013 the Council delegated authority to the Executive for setting the business rates base.
- 3. 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 for 2014/15:

Element	Estimate 2014/15 £m
Estimated net rate yield – as per NNDR1 for 2014/15	36.530
Less – central share at 50% paid to Govt.	18.265
Less – County share at 10% paid to SCC	3.653
Waverley's share	14.612
Less – tariff paid to Government (fixed in 2013/14 but increased by RPI each year)	12.506
Net retained business rate income	2.106
Less - levy @50% (of any net retained income in excess of the Government's specified Baseline Funding figure (increased by RPI each year))	-0.150
Less – Deficit adjustment b/fwd from 2013/14	-0.035
Plus – safety net payment (if net retained income is less than 92.5% of Government's specified Baseline Funding figure (increased by RPI each year))	-
Retained funding for General Fund budget (Compares to £1.930m in the 2013/14 estimate)	1.921

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 2014/15 figures:

Key Estimates in 2014/15 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 2014/15 estimate has been adjusted to reflect the actual October 2013 position.
Cost of discretionary relief	In December 2012 the Council set the Discretionary rate relief policy 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. No further increase has been estimated at this stage.
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 99.1% in 2012/13). For 2014/15, 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. However, it is estimated that around half of this amount will be recovered within the foreseeable future. In 2014/15 an estimate of £175,000 has been included.
Change in rateable value	The 2014/15 estimate projects a further reduction over the 18-month period October 2013 to March 2015 to that experienced in the past 12 months.
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 2014/15 which is an overall reduction of £200,000. The majority of the historical appeals from the 2005 and 2010 valuation lists have been allowed for in the 2013/14 estimate.

5. Annexe 2 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 2014/15 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 estimates show that Waverley will be able to retain rates in excess of the Government's indicative amount of £1.805m. It is proposed that any excess is set aside in the Business Rates Equalisation Reserve which helps to mitigate the risks of a fluctuating rateable value base going forward. If the budget position enables this approach, approval will be sought for this measure in the budget report to be considered by the Council in February.

Collection Fund

6. 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.
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Recommendation

That the Executive:

1. Approves the council tax base for Waverley and for each of the Town/Parish Council areas for the year 2014/2015, as shown in Annexe 1; and
2. Recommends to Council to approve the business rate estimates for 2014/2015, as set out in Annexe 2, 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 2014.

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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