

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 2 DECEMBER 2014

Title:

SETTING OF COUNCIL TAX BASE AND BUSINESS RATE BASE FOR 2015/16

[Portfolio Holder: Cllr Julia Potts]

[Wards Affected: All]

Summary and Purpose

The purpose of this report is to seek approval for:

1. the 2015/16 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 2015/16; and
2. the business rate forecast for 2015/16 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.

Financial 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 tax base is calculated, what estimates are used and how they impact on the budget and council tax charges. From 2013/2014 under the business rate retention scheme, Waverley's forecast of business rate income is critical to the estimated core funding. This report explains the estimated 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 be closely monitored in the year.

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 changed the way that business rates are used nationally to fund local government.

Council Tax Base 2015/16

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 2014)) 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 2015/16 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 CTB 2015/16 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 1. The total figure will be used to determine Waverley's council tax charges for 2015/16 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 2015/16 is 52,832 band D equivalent properties (52,037 in 2014/2015). The following table summarises the key changes on the overall 2015/16 estimated council tax base compared to 2014/15

Changes from 2014/15	Additional Properties	Band D Equivalent properties
Houses on VO List	+228	+351
Movement in assumptions on discounts, exemptions and the council tax support scheme	+187	+444
Growth in Tax Base	+415	+795

Business Rates Estimates 2015/16

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 2015/16:

Element	Estimate 2015/16 £'000
Non-domestic Rating Income net yield – as per estimated NNDR1 for 2015/16	36,666
Less – 50% central share paid to Government	-18,333
Less – 10% county share paid to Surrey County Council	-3,667
Waverley's share before tariff and levy deductions	14,666
Less – estimated tariff	-12,638
Less – estimated levy	-482
Total	1,546

Waverley's share of the estimated Business Rates income is brought into the General Fund together with 2013 Autumn statement compensation grants.

The tariff (estimated £12,638,000) and levy (estimated £482,000) are then paid out of these General Fund receipts before a final General Fund position for Business Rates is reached.

4. Waverley has to submit a statutory form NNDR1 by 31 January each year which sets out the Council's estimated business rate position for the coming year. This form will confirm the payments to the Government, Surrey County Council and Waverley that will need to be made out of the collection fund 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.

5. The CLG are currently consulting with CIPFA on the format and calculations inherent in the 2015/16 NNDR1 expected to be published in December 2014. It is this form and its resultant calculations which will drive the retained Business Rates for Waverley in 2015/16, the General Fund levy charge and 2013 Autumn statement compensation grants. The following assumptions have been made in order to estimate a Business Rates base for 2015/16 in advance of the publication of this form for 2015/16.

Key Estimates in 2015/16 Business Rates projection

Estimate	Approach taken
Small Business rates relief	The 2014/15 temporary doubling has been assumed to continue through 2015/16 and it is assumed there will be general fund compensation grant for this.
Autumn statement 2013 compensation grant	It is assumed that the general fund will continue to receive compensation grant for all 2013 Autumn statement announcements continuing through 2015/16 (i.e. small business rate relief on "first" properties, "new empty" property relief, "long term empty" property relief and retail relief).
Small business rate multiplier, tariff and baseline funding	It is assumed that the 2014/15 small business rate multiplier, tariff and baseline funding will be increased for 2015/16 by the September RPI of 2.3%.
Use of provision for cost of backdated appeals	It is assumed the provision for backdated appeals as at 31 st March 2014 will be used up fully in 2014/15 reducing the provision to zero by 31 st March 2015.
Cost of mandatory relief	The 2015/16 cost of mandatory relief has been assessed as at November 2014.
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	The 2015/16 estimate has been assessed as at November 2014.

Loss in collection (bad debts)	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 99.4% in 2013/14). For 2015/16, a 1% non-collection rate has been assumed which is consistent with most other authorities in the area. However, it is estimated that around half of this amount will be recovered within the foreseeable future. In 2015/16 an estimate of £187,000 has been included.
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 in respect of the 2015/16 year, and which appeals will be successful, an analysis of current year repayments has informed the estimate for 2015/16 which is an overall reduction of £150,000. The majority of the historical appeals from the 2005 and 2010 valuation lists were allowed for in the 2013/14 estimate.

The above assumptions may need to be amended in the light of the 2014 Autumn Statement expected on 3rd December 2014.

6. The NNDR3 for 2014/15 is not expected to be published until March 2015. It is the calculations inherent in this form which drive the actual surplus/deficit on the collection fund for Business rates for 2014/15. In advance of this an estimated surplus/deficit will need to be assessed as at 31st January 2015, brought into Waverley's General Fund budget for 2015/16 and notified to Surrey County Council for precepting purposes.
7. Annexe 2 sets out the key figures estimated to form the business rate base for 2015/16. The figure that determines the payments to the Government and Surrey County Council and Waverley's budget is the 'Non-domestic Rating income' amount. Members are requested to approve the figures proposed for 2015/16 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 assumed Government's baseline funding level of £1,825k in 2015/16. It is proposed that the Business Rates Equalisation Reserve continues to be used to mitigate the risks of a fluctuating rateable value base going forward. This reserve is also used to balance significant timing differences between years due to statutory requirements. If the budget position requires this approach, approval will be sought for this measure in the budget report to be considered by the Council in February.

Collection Fund

8. 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.

Recommendation

It is recommended that

1. the council tax base for Waverley be approved for the year 2015/16, as shown in Annexe 1; and
2. the business rate estimates for 2015/16 be approved, as set out in Annexe 2, and that authority be delegated to the Director of Finance and Resources, in conjunction with the Finance Portfolio Holder, to make any final changes necessary before the return is submitted to the Government on 31 January 2015.

Background Papers

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

CONTACT OFFICER:

Name: Peter Vickers

Telephone: 01483 523539

Email: peter.vickers@waverley.gov.uk