

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 28 NOVEMBER 2017

Title:

**SETTING OF COUNCIL TAX BASE AND
BUSINESS RATES BASE FOR 2018/19**

**[Portfolio Holder: Cllr Ged Hall]
[Wards Affected: All]**

Summary and Purpose

The purpose of this report is to seek approval for:

1. the 2018/19 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 2018/19; and
2. the business rate forecast process for 2018/19 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 2013/14 under the business rate retention scheme, Waverley's forecast of business rate income is critical to the estimated core funding. This report explains the process for preparing the business rate estimates put forward for approval.

The incorporation of the council tax reduction scheme into the council tax base calculation from 2013/14 transferred 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 is 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 2018/19

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 to be 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 2017)) 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 any potential changes in the year ahead. 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 the Council's estimate of the 'collection rate' for the year, i.e. 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 2018/19 council tax year.
- c) There are twenty one town and parish councils in Waverley and it is necessary for the information shown on Form CTB (October 2017) to be analysed over each of the town and 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 2018/19 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 2018/19 is 54,191.0 band D equivalent properties after application of the 99.0% collection rate (53,936.1 in 2017/18). The following table summarises the key changes to the overall 2018/19 estimated council tax base compared to 2017/18 (before application of the 99.0% collection rate).

Changes from 2017/18	Additional Properties	Band D Equivalent properties
Houses on VO List	+276	+331
Movement in assumptions on discounts, exemptions and the council tax support scheme	-83	-74
Growth in Tax Base (before 99% collection rate applied)	+193	+257

Business Rates Estimates 2018/19

2. The Business Rates Retention scheme replaced the previous central pooling system from 1 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 Surrey County Council) 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.
4. The following table illustrates how business rates links in with the Council's funding for 2018/19:

	Estimate 2018/19 £m
Business Rating income estimated net yield for 2018/19	39.4
Less – 50% central share paid to Government	-19.7
Less – 10% county share paid to Surrey County Council	-3.9
Waverley's share before tariff and levy deductions	15.8
Less – estimated tariff	-14.0
Less – estimated levy	-0.2
Total estimated net Business Rates income due to	1.6

the Council's General Fund *	
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**before Waverley's share of the Collection Fund surplus/deficit*

Waverley's share of the estimated Business Rates income is added to its share of the estimated surplus/deficit on the Collection Fund for the previous year and is brought into the General Fund together with Government grants from certain reliefs and concessions. The tariff and levy are then paid out of these General Fund receipts before a final General Fund position for Business Rates is reached.

5. 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.
6. The Government are currently consulting with CIPFA on the format and calculations inherent in the 2018/19 NNDR1 expected to be published in December 2017. It is this form and its resultant calculation, along with the outcome of the 100% pilot bid, which will drive the retained Business Rates for Waverley in 2018/19, the General Fund levy charge and compensation grants. The figures provided in this report are based on the current 2017/18 estimates post revaluation. Assumptions may need to be amended in the light of the final revaluation list, the Governments response to the recent technical consultation on local government finance settlement 2018/19 which closed on 26 October 2017 and the Budget Statement expected on 22 November 2017.
7. The year end calculations guidance for 2017/18 (NNDR3) is not expected to be published until March 2018. It is the calculations inherent in this form which drive the actual surplus/deficit on the collection fund for Business Rates for 2017/18. In advance of this an estimated surplus/deficit will need to be assessed as at 31st January 2018, brought into Waverley's General Fund budget for 2018/19 and notified to Surrey County Council for precepting purposes.
8. Members are requested to approve the figures in paragraph 5. above proposed for 2018/19 and a delegation is requested to enable officers, in conjunction with the finance portfolio holder, to make adjustments if necessary before submitting the final form by 31 January. The adjustments will be as a result of the final Valuation list for 2017/18, the government's decisions coming from the technical consultation on the 2018/19 settlement, updated estimates and clarifications from the 2017 Budget Statement and the result of the Surrey 100% Pilot bid.
9. Revaluation has triggered an increase in business rates appeals; the effect of this is difficult to calculate and will be another factor to be assessed further before the final estimates for 2018/19 are made at the end of January 2018.
10. 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.

11. 100% Surrey Business Rate Pilot

The eleven district and borough Councils and Surrey County Council have submitted a coordinated bid for the area to be a 100% Business Rate Retention Pilot in 2018/19. The potential financial rewards that are on offer for pilot areas are significant, with benefits coming from having the levy removed from gains on the existing 50% local share and receiving all of the growth from the current 50% central share. The success of Surrey's bid will be dependent on the strength of its plans in respect of what the DCLG will learn from the pilot (transfers of funding or responsibility, geography) and the robust governance arrangements that are in place. The outcome of the bid will not be known until mid December.

Recommendation

It is recommended that

1. the council tax base for Waverley be approved for the year 2018/19, as shown in Annexe 1; and
2. the business rate estimates for 2018/19 be approved, as set out in the table in paragraph 4. and that authority be delegated to the Strategic Director for Finance and Resources, in conjunction with the Finance Portfolio Holder, to make any final changes necessary before the NNDR1 return is submitted to the Government on 31 January 2018.

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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