

Body:	Cabinet
Date:	12 December 2017
Subject:	Council Tax Base and Business Rate Income 2018/19
Report of:	Chief Finance Officer
Cabinet member:	Councillor Mattock
Ward(s)	All
Purpose	To approve the Council Tax Base and net yield from Business Rate Income for 2018/19 in accordance with the Local Government Finance Act 1992, as amended.
Decision Type:	Key Decision
Recommendations:	Cabinet is recommended to <ul style="list-style-type: none"> i) Agree the provisional Council Tax Base of 34,354.4 for 2018/19. ii) Agree the provisional Retained Business Rates Income of £3.652m for 2018/19. iii) Agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the Council Tax Base and Retained Business Rates income for 2018/19.
Reason for Recommendation:	Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2018/19 Council Tax.
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1.0 Introduction

- 1.1 The Council is required to set its Council Tax Base and the expected Business Rate Income for the forthcoming year. These calculations are used as the basis for the amount of income the Council will precept from the Collection Fund.
- 1.2 The Local Authorities (Calculation of Council Tax Base) Regulations 1992 prescribe that the billing authority (this council) must supply the precepting authorities (the County, Police and Fire authorities) with the calculation of the Council Tax Base. This information must be supplied between 1 December and 31 January in the financial year preceding the financial year for which the

calculation is being made.

1.3 Non-Domestic Rating (Rates Retention) Regulations 2013 also sets out a timetable for informing the Government and precepting authorities of the business rate income calculation. This information is completed via a Government return (NNDR1) which must be submitted by 31 January in the financial year preceding the financial year for which the calculation is being made.

1.4 In order to assist the precepting authorities with their financial planning it is helpful to provide the information during December rather than wait for the January deadline.

2.0 Council Tax Base

2.1 The Council Tax Base is the estimated full year equivalent number of chargeable dwellings. This is expressed as the equivalent number of Band D dwellings with two or more liable adults.

2.2 In making this estimate, account must be taken of discounts, disabled relief and property exemptions. Movements on and off the Valuation List during the year must also be taken into account – e.g. where new properties have been built or old ones converted or demolished.

2.3 The primary legislation that determines how the Council Tax Base is to be calculated is the Local Government Finance Act 1992. A number of regulations have been laid under this Act that has prescribed how the detailed calculation is to be made. Those regulations are listed at the foot of this report.

2.4 The basic calculation as determined by the primary legislation is that the Council arrives at its Council Tax Base by multiplying its Relevant Amount by its estimated Collection Rate.

3.0 Relevant Amount

3.1 The Relevant Amount for each Band is the estimated full year equivalent number of chargeable dwellings in the Band expressed as the equivalent number of Band D dwellings. For example, a Band A property is equivalent to 6/9 of a Band D property, a Band H property is equivalent to 2 times (18/9) a Band D property. The Relevant Amounts for each Band are then added together to arrive at the overall Band D equivalent.

3.2 The results for each Band when totalled up are converted to form the appropriate number of Band D equivalent dwellings. This is the Relevant Amount. For 2018/19 this totals 35,145.2 equivalent properties

3.3 The Relevant Amount has increased by 352 properties (1%) Band D equivalent dwellings from 2017/18. This reflects expected growth in the number of taxable properties of 73 plus the effect of the changes to the Local Council Tax Reduction Scheme (LCTRS) agreed by the Council on 18 October 2017. The effect of these changes has resulted in an increase to the total number of

chargeable dwellings of 425.

4.0 **Collection Rate**

4.1 The Collection Rate is the Council's estimate of the proportion of the overall Council Tax collectable for 2018/19 that will ultimately be collected. This is expressed as a percentage.

4.2 The key elements in making this calculation are losses on collection, appeals against valuation, changes in circumstances (e.g. applications for discounts in respect of single person occupancy or disability) and other adjustments. These other adjustments to bills can arise for a variety of reasons including bankruptcy, death and exemption where premises are unoccupied for reasons allowed by the Exempt Dwellings Order. The Council must also make provision for uncollectable debts.

4.3 The current level of Council Tax collection is forecast to show an in year surplus balance of £918,275 at the end of 2017/18, and this would indicate that the current collection rate of 97.50% should be adjusted upwards to 97.75% going forward.

5.0 **Council Tax Base**

5.1 Taking the Relevant Amount of 35,145.20 and applying the Collection Rate of 97.75% produces a Council Tax Base for 2018/19 of **34,354.4**.

5.2 The Council Tax Base has increased by 1.27% compared with 2017/18. This is equivalent to an increase of 431 Band D dwellings. The detailed number of properties is shown at Appendix 1.

5.3 The Council's Medium Term Financial Plan is updated annually to take account of movements in the Council Tax Base. The assumed tax base for the current MTFS was 34,093.3.

6.0 **Business rate income**

6.1 The Local Government Finance Act 2012 introduced a new system for the local retention of business rates. This means that the council is required to formally approve the expected business rate income for the forthcoming year. The estimate for the 2018/19 financial year must be approved by 31 January 2018.

2018/19 will be the second year of the new rating valuation list that came into effect on 1.4.17.

6.2 The Business Rate income is all collated on the NNDR1 form which shows the net rate income yield for the forthcoming year and the central and local shares of the business rates. The actual NNDR1 form for 2018/19 has not yet been received but the provisional figures based on the 2017/18 data plus known changes have been calculated as follows:

Retained Business Rate	2017/18 Estimate £'000
Gross Rates Yield	43,921
Less Mandatory and Discretionary Reliefs	(6,613)
GROSS RATE YIELD AFTER RELIEFS	37,308
Less Allowance for cost of Collection	(126)
Adjustments for Changes in RV due to growth or reduction in property numbers.	53
Less Estimated Losses on Collection	(191)
Less Allowance for Appeals	(285)
NET BUSINESS RATE YIELD	36,759

- 6.3 The process for making appeals changed on 1.4.17 and this now has three stages; check factual details, challenge the rateable value (the ratepayer now has the responsibility to provide evidence as to why the rateable value should be changed), and appeal against any decision made at the challenge stage.

Currently to date only 2 appeals have been recorded at the challenge stage, but it does appear that the new process is taking a while to check as it seems that there is a lot of red tape surrounding verification prior to being able to challenge. It is therefore too early in the process to be able to accurately forecast the number and value of appeals to come. The forecast has therefore been based on the experience of appeals made against the 2010 list.

The Council also still has a number of appeals outstanding from the 2010 list, which will be carried forward until settled. The provision for appeals will need to cover both existing and new appeals.

- 6.4 The net business rate yield is allocated centrally and locally based on the following ratios:

50% to Central Government;
40% to the Local Billing Authority (this council);
10% to the other precepting authorities (9% to the county and 1% to the fire authority).

The local share (the Business Rate baseline) is then payable to the Council's General Fund. All other adjustments to the overall level of business rate income retained locally are then accounted for within the General Fund.

7.0 Retained Business Rates Income in the General Fund

- 7.1 The amount of Business Rates income payable to the General Fund is calculated by deducting tariff and levy payments from the amount of the local share of net business rate yield.

The system of tariff or top up payment is to redress the balance of Business

Rate income nationally to ensure that no local authority is worse off as a result of its Business Rates at the outset of the rates retention scheme in 2013.

The levy rate allows authorities to retain their growth in an equivalent proportion to its baseline revenue. The levy has been set at 50% of the growth Business Rates income over the baseline allowance set by Government.

This authority currently makes a tariff payment, and information on the level of the tariff payment will be announced as part of the Government grant settlement figures in the Autumn Statement. The forecast has therefore been based on the 17/18 payment plus an allowance for inflation.

7.2 The estimated amount of retained Business Rates to be credited to the General Fund is calculated as follows:

2018/19 Estimate	£'000
EBC share of Business Rate Yield	14,703
Minus Tariff	(10,726)
Minus Levy	(533)
Minus Estimated Deficit on Collection fund As at 31.3.18	(1,188)
Add Section 31 Grants	1,130
Levy returned from pool	266
Local Retained Business Rate Income 2017/18	3,652
2016/17 Amount	4,033

These figures will be confirmed once the final NNDR1 has been completed in January and the Government grant settlement figures received later this month.

8.0 Setting the Business Rate Income

8.1 As the final figures required to set the Business Rate Income are not yet available, Cabinet is asked that delegated authority be given to the Chief Financial Officer, in consultation with the Portfolio Holder for Finance, to determine the final estimated net yield from Business Rate Income for 2018/19.

9.0 Business Rate Pooling

9.1 The council is working within a Business Rate Pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority.

9.2 Under pooling, 50% of any growth in Business Rate Income (the levy) is payable to the pool rather than to DCLG, and redistributed to participating authorities in accordance with the agreed memorandum of understanding. It is expected that Eastbourne's share of the pool for 2018/19 will be in the region of £260,000. This funding is to be used to fund economic development.

9.3 For 2017/18 due to the uncertainty around the risk of the new rating valuation list on the overall performance of the Business Rate income and the Collection

Fund, it was decided by all the members of the pool not to operate the pool for this year. However as this uncertainty has now disappeared it is the intention for the pool to continue in 2018/19 and DCLG have been informed of this intention.

10.0 Collection Fund Performance

- 10.1 As at 31 March 2017 the Collection Fund showed a deficit of £944,582 (£1,432,465 Council Tax surplus and £2,377,047 Business Rates deficit). £119,025 is being recovered across Council Tax and Business Rates preceptors during 2017/18, leaving a balance of £1,063,607 to be distributed in 2018/19.
- 10.2 The Council has to estimate the overall surplus/deficit at 31 March 2018 and inform the precepting authorities in January 2018 of this estimate in order that the amount is included in the 2018/19 precept figures.
- 10.3 Current monitoring figures indicate a surplus by 31 March 2018 of £1,378,050 for Council Tax, this will be revised in January and the results reported to members as part of the budget report to the February Cabinet. Any surplus or deficit is allocated to preceptors in 2018/19 in proportion to the 2017/18 Band D Council Tax.
- 10.4 The calculation on the Business Rate income element of the Collection Fund currently indicates a deficit balance of £2,969,350 as a result of a combination of the backdated appeals being paid, and overall reduction in the rate income due from the redevelopment of the Arndale. Any surplus or deficit is allocated in 2019/20 in accordance with the proportions given at 6.4 above.

11.0 Outcome expected and Performance Management

- 11.1 Once the Council Tax Base and the estimated balance on the Council Tax element of the Collection Fund has been determined, East Sussex County Council, Sussex Police and Crime Commissioner and East Sussex Fire Authority will be notified.
- 11.2 Once the NNDR1 2018/19 has been completed and the estimated balance on the Business Rate element of the Collection Fund has been determined, this will be submitted to Central Government and both East Sussex County Council and East Sussex Fire Authority will be notified.
- 11.3 Council Tax and Business Rates income and payments to precepts are accounting for in the Collection Fund which is regularly monitored and reported to members as part of the quarterly performance monitoring report.

12.0 Financial Appraisal

- 12.1 The Council Tax Base will be used to calculate the level of Council Tax requirement that will be recommended to the Council on 7 February 2018.
- 12.2 The net yield from Business Rates income will be used to calculate the amount of retained Business Rates to be credited to the General Fund.

13.0 Legal implications

13.1 Under the Local Authorities (Calculation of Council Tax Base) Regulations 1992 the billing authority (this council) is required to calculate its Council Tax base by 31 January for the next financial year and inform all its preceptors of this calculation.

Paragraph 10 of the Regulations provides that, in the case where a billing authority fails to notify each of the major precepting authorities of this calculation then it can be determined by those precepting authorities on the basis all information available and with reference to the preceding year's amount.

13.2 It is a requirement of the Non-Domestic Rating (Rates Retention) Regulations 2013 for the billing authority (this council) to notify DCLG and precepting authorities of its calculation of expected rate income by 31st January preceding the commencement of the next financial year.

If the billing authority fails to comply with this requirement then the Secretary of State may make the calculation instead and inform precepting authorities of the calculation.

14.0 Equality Analysis

14.1 There are no equality implications to this report.

15.0 Conclusion

15.1 The provisional Council Tax Base for 2018/19 has been calculated in accordance with relevant legislation. Summary calculations are set out within the attached appendix.

15.2 The figures required to set the Business Rate Income are not yet available as the final NNDR1 form and guidance notes have not yet been received from DCLG. Provisional figures indicated Business Rates Income for the General Fund of £3.654m.

15.3 It is recommended that delegated authority be given to the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, to agree the final figures for both calculations.

Pauline Adams
Head of Finance

Background Papers:

The Background Papers used in compiling this report were as follows:

The Local Government Finance Act 1992

The Local Authorities (Calculation of Council Tax Base) Regulations 1992

The Local Authorities (Calculation of Council Tax Base) (Amendment) Regulations 2003

Non-Domestic Rating (Rates Retention) Regulations 2013