

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>16 JANUARY 2017</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452520 Tel. 384564

**COUNCIL TAXBASE, BUSINESS RATES, AND COLLECTION FUND DECLARATION 2017/18**

R E C O M M E N D A T I O N S					
<b>FROM :</b> Corporate Director Resources	<b>Deadline date :</b> 14 March 2017				
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>Propose the calculation of the Council Tax Base for 2017/18 set at a level of 54,879.00 Band D equivalent properties based on a council tax support scheme of 30%, delegating authority of final confirmation of the Band D equivalent properties to Corporate Director Resources following approval of the council tax support scheme by Council on 25 January;</li> <li>Note the estimated position on the Collection Fund in respect of Council Tax as at 31 March 2017 being: <table style="margin-left: 40px;"> <tr> <td>Council Tax</td> <td>£0.210m surplus</td> </tr> </table> </li> <li>Note the estimated position on the Collection Fund in respect of Business Rates as at 31 March 2017 being: <table style="margin-left: 40px;"> <tr> <td>Business Rates</td> <td>£2.228m deficit</td> </tr> </table> </li> <li>Delegate to the Corporate Director Resources authority for approving and returning the final NNDR1 return to the Secretary of State by 31 January 2017 to include any further revision to the business rates position 2016/17 and Business Rate income 2017/18.</li> </ol>		Council Tax	£0.210m surplus	Business Rates	£2.228m deficit
Council Tax	£0.210m surplus				
Business Rates	£2.228m deficit				

**1. ORIGIN OF REPORT**

1.1 This report forms part of the preparation for setting the council's budget. It needs to be considered so that figures for the tax base, the Collection Fund and the amount of business rates to be collected can be used in setting the Council Tax and business rate income and can be notified to other affected authorities.

**2. PURPOSE AND REASON FOR REPORT**

2.1 This report is before Cabinet to consider under its delegated function No 3.2.7. 'to be responsible for the council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit'.

**3. TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	Yes (Part of budget setting)	If Yes, date for relevant Cabinet Meeting	16 January 2017
Date for relevant Council Meeting	8 March 2017	Date for submission to Government department	14 March 2017

## **4. INFORMATION RELEVANT TO DECISIONS REQUIRED**

### **Council Tax Base Calculation 2017/18 (Annex A)**

- 4.1 The Council Tax Base calculation is part of the budget process. The gross tax base for 2017/18 is estimated at 62,644.30 Band D equivalents. This is reduced by 1.5% to allow any in year variation from the estimates (e.g. for properties not being built or occupied, additional discounts being available or for losses on collection), to give a net council tax base of 61,709.62, which is 1.12% more than the equivalent tax base for 2016/17 of 61,027.98.
- 4.2 A further reduction to the taxbase to reflect the changes to the funding of council tax benefits which came into effect for the first time in 2013/14 is necessary. The proposed taxbase for 2017/18 has therefore reduced to 54,879.00 which compares to 54,100.40 for 2016/17 and is based upon the draft scheme being consulted upon with a reduction of 30% by Council on 25 January 2016.
- 4.3 The figure of 54,879.00 Band D equivalents reflects the best estimate, based on the latest factual position on a proposed council tax support scheme of 30%. The regulations provide for the Billing Authority's records to be calculated on data as at 30 November 2016, together with a forecast of any changes arising after that date until the end of the relevant financial year, in this case, 31 March 2018.
- 4.4 Cabinet have a separate report on council tax support scheme being considered during Cabinet's meeting on 16 January which will recommend to Council a scheme to be approved. The Police Authority, Fire Authority and Parish Council's will be notified of the provisional Band D equivalent properties and that this will be confirmed after the Council decision on 25 January and will therefore meet the statutory deadline.
- 4.5 Cabinet's report on 27 February 2017 to recommend a budget to Council on 8 March will confirm the Band D equivalent used to set council tax following Council's decision made on 25 January.

### **Collection Fund**

- 4.6 The collection fund is split into two sections; in respect of council tax and business rates and has separate calculations of the surplus/deficit at the year end. This is because prior to 2013/14 the total amount of business rates was transferred to the government whereas under the new system it is shared between the Council, the Fire Authority and the Government.
- 4.7 The collection fund as at 31 March 2017 in respect of council tax has been estimated to be a surplus of £0.210m from residential property growth and impact of measures following the localisation of council tax support from 2013/14 and therefore will be shared between the Council, the Police and the Fire authority.
- 4.8 The collection fund deficit for 2016/17 in respect of business rates has been estimated at £2.228m. This is in line with part 4 of the draft National Non-Domestic Rates (NNDR1) form to be submitted to government by 31 January 2017. The values are based on information as at November and will be updated to December figures prior to submission, a copy of part 4 of NNDR1 is attached at annex B.
- 4.9 The deficit position is £574k worse than the anticipated deficit at this point in the new business rates retention scheme. The forecast deficit of £1,654k is a structural deficit because the council chose the option to spread the cost of pre 2013/14 appeals over a five year period which resulted in removing a large deficit in 2013/14 and repaying this over 5 years. This is the final year for the structural deficit and as from the end of 2017/18 the deficit/surplus position will simply represent any variation between budgeted and actual activity, the 2017/18 budget will be set assuming a balanced collection fund. The additional deficit for 2016/17 has a minor favourable impact on the General Fund position for 2016/17 due to its relationship with the levy payment which will reduce by £41k.

- 4.10 Not with standing this structural adjustment the deficit has been affected adversely due to a number of issues during the year which have been previously reported to CMT. These include a major reduction in the rateable value for the Peterborough power station from £3.111m to £535k and the removal of the rateable value for Touthill close offices of £895k. These have been offset by adjustments within the provision for appeals, an improvement on the balance brought forward from 2015/16 a reduction in empty property reliefs and other improvements in RV.
- 4.11 Following the introduction of the new business rates system in April 2013 the Police and crime commissioner does not receive any business rates income but receives alternative funding directly from government.
- 4.12 The relevant share of both elements of the collection fund surplus/deficit calculation is used by each of the relevant bodies in setting its budget for the following year. The figures in this report are provided for information as the Corporate Director of Resources will make the formal calculation for council tax on 13 January 2017 and notify the relevant bodies at that time and will return the final NNDR1 by 31 January 2017.

**Calculation of Non-domestic rate income, relevant shares and notification (NNDR1) 2017/18**

- 4.13 The system of local government finance which allows local authorities to retain locally 50% of the total non domestic rates collected nationally requires by virtue of the Non-Domestic Rating (Rates Retention) Regulations 2013, regulation 3(1-3) a billing authority to make certain calculations and notify relevant bodies by 31 January each year.
- 4.14 The calculations in question are the total non domestic rate income for the year, the central share and the shares attributable to precepting authorities
- 4.15 The council is also part of a pilot scheme announced by Government during the March 2015 Chancellor's budget whereby council's achieving growth over and above a target set by Government would be able to keep Government's share of business rates. The Government will be issuing final Regulations on how this pilot scheme will work in the near future, draft regulations were issued prior to Christmas and have been commented on through our Cambridgeshire scheme co-ordinator. The scheme is in addition to the current Business rates retention scheme which will continue to operate in its current form. The draft regulations have confirmed the one off £1.4m of additional funding accrued in 2015/16 which should be paid to the council in early 2017.
- 4.16 The NNDR1 form is completed on the basis of regulations and guidance and it is a requirement that it is signed by the Council's chief financial officer. The form includes all the relevant information required by the regulations and effectively provides the calculations and notification to the Secretary of State and major preceptors (Fire Authority). The form will be completed using the data as at 31 December 2016 with an update to forecast to the end of the financial year and will be used to determine the business rate income within the council's budget for 2017/18. Note the current figures used for 2016/17 reported above for the collection fund deficit are based on November figures and will be updated accordingly.
- 4.17 For 2017/18 the NNDR1 was issued very late, (22 December) due to the complexities arising from the rating revaluation 2017 and the structural changes to certain reliefs provided to businesses e.g. Small business rate relief (SBRR). Indeed the form does not provide a full picture as DCLG are still discussing how to deal with some elements with 'Local Government'.
- 4.18 In addition to the late arrival of the form the added complexities of the system for 2017 have meant that the major software suppliers have not been able to provide the relevant amendments to authorities systems. In PCC Case software updates are expected on 13 January and after loading and testing etc figures should be available by 24 January for incorporation into the form.

- 4.19 The impact of this is that the Corporate Director of Resources will need to determine the final figures for the submission of the NNDR1, including part 4 (2016/17 outturn) which has an ongoing effect, very late in January prior to submission by 31 January 2017.
- 4.20 Any required update to the council's budget forecast on business rates will be updated accordingly as part of setting the formal budget for 2017/18.

## **5. CONSULTATION**

- 5.1 Consultation is not required in making the calculations referred to in this report, however the council are in contact with the Police and Fire authority during the budget setting process.

## **6. ANTICIPATED OUTCOMES**

- 6.1 That Cabinet proposes the draft calculation of the Council Tax Base and will be confirmed immediately after the Council approval of the council tax support scheme for 2017/18, notes the position on the collection fund for both the Council Tax and Business Rates and delegates the approval and notification requirements for the final NNDR1 for 2017/18 to the Corporate Director of Resources.

## **7. REASONS FOR RECOMMENDATIONS**

- 7.1 The Council Tax Base could be set at a higher or lower level. However, this could have the effect of either inflating unnecessarily the amount of Council Tax to be set or setting the tax at a level insufficient to meet the Council's budget requirements. A similar position could arise if the surplus or deficit were set at a higher or lower level.
- 7.2 The calculation and return of the information included in the NNDR1 is a statutory requirement which can be formally delegated to an officer. As with council tax if the amount of business rates estimated to be collected is increased or reduced or the surplus or deficit is set at a higher or lower level then the amount of income available to the council will change with the consequent effect on service provision or council tax levels.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 This report covers calculations that are all prescribed by regulations with the effect that no other options need to be considered. Furthermore, alternative tax base calculations have been prepared dependent on the option Council approve on the council tax support scheme for 2017/18.

## **9. IMPLICATIONS**

- 9.1 This report does not have any implications effecting legal, human rights act or human resource issues.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985):

Local Government Finance Act 1992

Local Government Act 2003

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

The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003.

Council Tax Banding List

The Non-Domestic Rating (Rates Retention) Regulations 2013

The Non-Domestic Rating (Rates Retention) Amendment Regulations 2014

## **11. APPENDICES**

**Appendix 1** – Council Tax Base Calculation 2017/18

**Appendix 2** – Draft National Non-Domestic Rates (NNDR1) Form