

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 7 December 2023

Subject: Setting of the council tax base and business rates shares for budget setting purposes

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report is to advise on the methodology of calculating the City Council's council tax base and business rates income for budget setting purposes for 2024/25, along with the timing of related payments and the decision on business rates pool membership. In line with previous years the Chair of the Committee is requested to exempt various key decisions from call in.

Recommendations

Members are asked to:

1. Note that the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated powers to:
 - Agree the estimated council tax surplus or deficit for 2023/24;
 - Set the 2024/25 council tax base for tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2013;
 - Agree the estimated business rates surplus or deficit for 2023/24;
 - Calculate the 2024/25 business rates income for budget setting purposes in accordance with the Non-Domestic Rating (Rates Retention) Regulations;
 - Determine whether the Council should be part of a business rate pooling arrangements with other Greater Manchester local authorities in 2024/25;
 - Set the dates of precept payments to the Greater Manchester Combined Authority in 2024/25.
 2. Note that the Chair of the Resources and Governance Scrutiny Committee will be requested to exempt various key decisions from the call in procedure.
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Wards Affected:

All wards

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Background documents (available for public inspection):

- [The Local Government Finance Act 1992](#)
- [The Local Authorities \(Calculation of Council Tax Base\) \(England\) Regulations 2012.](#)
- [The Non-Domestic Rating \(Rates Retention\) Regulations 2013.](#)
- [The Non-Domestic Rating \(Rates Retention\) \(Amendment\) Regulations 2014.](#)
- [The Non-Domestic Rating \(Rates Retention\) \(Amendment\) Regulations 2016.](#)
- [The Non-Domestic Rating \(Rates Retention, Levy and Safety Net and Levy Account: Basis of Distribution\) \(Amendment\) Regulations 2020.](#)

1.0 Introduction

- 1.1 The Council is required to notify its precepting authorities on the council tax and business rates decisions as part of the budget setting process. These are required by prescribed statutory dates.

The four decisions are as follows:

- Agree the 2023/24 estimated council tax surplus or deficit by 15 January 2024;
 - Set the 2024/25 council tax base by the 31 January 2024;
 - Agree the 2023/24 estimated business rates surplus or deficit by 31 January 2024; and
 - Set the 2024/25 business rates base by the 31 January 2024.
- 1.2 The actual level of the council tax is subject to further approval and will be set out in the Council Tax Resolution report to Council in March 2024.
- 1.3 All the decisions and estimates will take account of the known impacts of the current economic climate and include forecasts for future financial implications.
- 1.4 In December 2020, along with the Provisional Settlement, Government announced billing authorities declaring deficits on their 2020/21 Collection Fund, as forecast in January 2021, were mandated to spread this deficit over three financial years (2021/22, 2022/23 and 2023/24). This applied to both council tax and business rates and removed any deficit due to additional relief and support relating to the pandemic, which was fully funded by section 31 grant. 2023/24 is the final year of this spreading impact which will be included in the estimated balance declared in January 2024.
- 1.5 The spreading of deficits does not impact on the underlying council tax and business rates base position.

2.0 Council tax surplus / deficit for 2023/24

- 2.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate the council tax surplus or deficit on their Collection Fund for the relevant year. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities.
- 2.2 The City Council is to notify the precepting authorities (the Police and Crime Commissioner, and the Mayoral and Fire and Rescue elements of the Greater Manchester Combined Authority) of its estimated Collection Fund surplus or deficit by 15 January 2024.
- 2.3 As the Council is required to use the most up to date information, which will be as at 31 December 2023, and to notify precepting authorities by 15 January 2024, there will be a request to the Committee Chair to exempt the decision

from call in. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the estimated council tax surplus or deficit.

- 2.4 In 2023/24, as part of a response to the cost-of-living crisis, Government introduced the 'Council Tax Support Fund' offering up to £25 discount on bills for residents in receipt of council tax support. The Council received £1.286m to award through a core and discretionary scheme. This grant will be transferred to the Collection Fund to match the reduced tax income at the end of 2023/24 so the Collection Fund is not distorted.

3.0 Setting of council tax base for 2024/25

- 3.1 Under Section 31B of the Local Government Finance Act 1992, the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, and amendments introduced by the Local Government Finance Act 2012, the Council is required to calculate its tax base for tax setting purposes. This calculation is to be based on the best available data, as at 31 December 2023. The City Council is required to notify the precepting authorities of its calculation for 2024/25 by 31 January 2024.
- 3.2 If the calculation has not been agreed by 31 January 2023 the regulations provide that the responsibility for calculating the council's tax base transfers to the precepting authority. They must calculate the tax base on behalf of the City Council, based on the information available. This information will include any recommendations of the Deputy Chief Executive and City Treasurer; it will also include any amount calculated by the Secretary of State for the purposes of distribution of government funding (referenda limits applied to the annual increase).

Basis of calculation of tax base

- 3.3 The calculation of the council tax base is, in essence, the number of dwellings within the Council's boundary presented as 'Band D equivalent'. This means dwellings falling outside Band D are converted into a proportionate Band D value based on the table below. Once the Band D bill is calculated and approved the individual band bills will be calculated on this apportionment.

Band	Proportion of Band D
Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

- 3.4 The number of properties is adjusted to take account of discounts and exemptions including those for disabled occupants, single occupiers, students, other exempt dwellings, as well as reductions in accordance with the council tax support scheme, this will also reflect long term empty homes premiums. A further adjustment is made for non-collection of council tax.
- 3.5 The statutory timescale for undertaking the tax base calculation means that the tax base calculation for 2024/25 is based on best available information, which may be out dated by the time that the bills are issued in March 2024. Whilst this would not be an issue for most authorities, the fluctuating numbers of students and the transient population in Manchester make it difficult to forecast how many properties will be exempt, empty or occupied by a single person on 1 April 2024 and the forthcoming financial year. There will be more accurate student data available by the declaration deadline, as student discounts and exemptions tend to increase towards the end of the first academic term in December. Therefore, figures on which the tax base will be calculated to represent a 'best estimate' at a point in time.
- 3.6 The tax base calculation will include forecasts on the impact from the following, between 1 December 2023 and 31 March 2024:
- Base growth and new properties;
 - Properties listed for demolition;
 - Exempt properties (including all student households);
 - Disabled relief;
 - Single person discounts;
 - Empty properties;
 - New Long Term Empty property premiums from 1 April 2024; and
 - The council tax support scheme claimants with the enhanced offer from 1 April 2024.
- 3.7 Under the Levelling Up and Regeneration Bill, which received Royal Assent in October 2023, from 1 April 2024 authorities can apply a 100% premium on unoccupied, empty and unfurnished properties after one year, updated from two years. This will be included in the 2024/25 tax base calculation and is estimated to generate an additional £0.8m. The [key decision](#) was first published on 9 January 2023 and a final decision will be made by the Executive by 15 Feb 2023.
- 3.8 Prior to the introduction of the Council Tax Support Scheme on 1 April 2013 council tax benefit was classed as income within the Collection Fund and had no effect on the council tax base calculation. However, after this date the council tax base calculation must include an estimate of the amount of council tax foregone due to the support scheme and this estimate is based on the forecast number of claimants.
- 3.9 In 2024/25 the Council Tax Support Scheme will offer support for working age households up to a maximum 85.0% of council tax due. This is an increase of 2.5% from the 2023/24 level of 82.5% and will be reflected in the tax base calculation.

3.10 The council tax base for 2023/24 was estimated at 131,615.1 Band D equivalents, up 3,995.1 from 127,620.0 in 2022/23. The council tax base for 2024/25 will be calculated to reflect the most up to date position and support the key decision required. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the tax base for council tax setting purposes.

4.0 Business rates surplus / deficit for 2023/24

4.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any business rates surplus or deficit on their Collection Fund for the relevant year. Any such estimated surplus or deficit is shared between the billing authority and the Greater Manchester Combined Authority (the Greater Manchester Fire and Rescue Service).

4.2 The City Council is to inform Central Government (via the NNDR1 return) and the Greater Manchester Combined Authority by 31 January 2024 of its forecast business rates Collection Fund surplus or deficit.

4.3 As the Council is required to use the most up to date information, which will be as at 31 December 2023, and to notify Central Government and the Greater Manchester Combined Authority by 31 January 2023 there will be a request to the Committee Chair to exempt the decision from call in. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the estimated business rates surplus or deficit.

5.0 Basis of Calculation of business rates base for 2024/25

5.1 Since 2017/18 Manchester has been part of the Greater Manchester business rates retention pilot which means that 99% of yield will be retained by the Council and 1% paid to the Greater Manchester Combined Authority, for the Greater Manchester Fire and Rescue Service.

5.2 The rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures a 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35.

5.3 The retained business rates income remains protected by a safety net and the Greater Manchester authorities, under the 100% Trailblazer Deal, are guaranteed 97.0% of their baseline funding level when compared to retained business rate income, which is adjusted to include section 31 grant and the tariff payment.

5.4 The starting point for the calculation is the estimate of gross business rates payable by business ratepayers in 2024/25. This includes a forecast for growth for businesses added to, or deleted from, the rating list in the forthcoming the year. This is adjusted by the forecast cost of mandatory

reliefs including small business rate relief, charity, community and amateur sports club relief, partly occupied relief and empty property relief. It is further adjusted for discretionary reliefs including the cost of relief to charities, non-profit making bodies and reliefs funded by a section 31 grant. This gross rate yield net of reliefs is then reduced by an allowance for the cost of collection, an estimate of non-collection, and the effect of checks, challenges and appeals against Rateable Values (RV).

- 5.5 RV is used to calculate business rates bills, and is designed to reflect the market rental values of properties as at 1 April 2021, known as the antecedent valuation date, under the 2023 rating list.
- 5.6 The calculation of the impact of appeals in 2024/25 will be based on data and information provided by the VOA, the government agency responsible for administering appeals, and from local systems. This will include outstanding appeals lodged with the VOA and a forecast of those still to appeal against this list, based on historic appeals data as well as known intelligence. Appeal volumes are volatile, particularly following the introduction of the reformed appeal process 'Check, Challenge and Appeal' in 2017, where a RV can be adjusted following a Check from a ratepayer, rather than progressing through the Challenge or Appeal stage, so these may not be included within shared VOA data. There is limited information available from the VOA for the new process; therefore, authorities are reliant on historical information and trends.
- 5.7 The Council continues to facilitate four Enterprise Zones where growth above the prescribed baseline is retained locally. Enterprise Zones offer business rate relief for up to 5 years (funded by government), simplified planning and capital allowances (tax relief) that aims to encourage new businesses to locate within the area. Changes in the rating list for properties in the enterprise zones are considered and reported separately.
- 5.8 From 2024/25, there will also be one Investment Zone and one Growth Zone in Manchester's boundary. These form part of the Greater Manchester Trailblazer Deal and similar to Enterprise Zones growth above a preset baseline will be fully retained locally for 25 years. Unlike Enterprise Zones, no tax incentives will be offered to businesses, but Government will provide £80m worth of funding over 5 years to be applied GM wide in line with Investment Zone policy.
- 5.9 The Non-Domestic Rating (Rates Retention) Regulations requires that the Council estimates the shares of business rate income for 2024/25 and notifies Central Government and the Greater Manchester Combined Authority of these amounts by 31 January 2024.
- 5.10 Given the requirement to notify Central Government and the Greater Manchester Combined Authority by 31 January 2024 there will be a request to the Committee Chair to exempt the decision from call in. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the estimated business rates income for budget setting purposes.

6.0 Pooling of Business Rates

- 6.1 The Greater Manchester and Cheshire business rates pool, which included the ten Greater Manchester authorities and Cheshire East was established in 2014/15, with Cheshire West and Chester joining in 2015/16. The Pool was dissolved in 2020/21 due to the uncertainty and risk of collection linked to the pandemic; and a Pool was not reinstated in 2022/23 or 2023/24.
- 6.2 The purpose of pooling business rates across the individual authorities is not intended to alter individual authorities' income levels but to retain any levy that would have otherwise been paid by certain authorities to Central Government, as the ten authorities would be considered one entity for the purpose of calculating the safety net and levy. The levy is applied to the growth above the Baseline Funding Level for tariff authorities, namely Trafford Borough Council in Greater Manchester. The levy would then be retained locally by the levy authority and the Pool.
- 6.3 On 6 October 2023 the ten Greater Manchester authorities, along with the Greater Manchester Combined Authority, submitted an intention to decline the invitation to form a Pool in 2024/25, as this conflicted with elements of the Trailblazer Deal.
- 6.4 The decision on whether Manchester City Council should be part of the pooling arrangement is delegated to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Resources.

7.0 Timing of Payments

- 7.1 Payment dates for the share of council tax payable to the Greater Manchester Combined Authority must be agreed and notified before 31 January 2024. The payment dates are proposed as the 20th of each month for 2024/25 or first working day thereafter, the same dates as 2023/24.
- 7.2 The Non-Domestic Rating (Rates Retention) Regulations state that the Council should make payments of business rates shares in accordance with the schedule of instalments. There is an option to agree different dates with the Greater Manchester Combined Authority if required. The payment dates are proposed as the 20th of each month for 2024/25 or first working day thereafter, the same dates as for 2023/24.

8.0 Recommendations

- 8.1 The recommendations appear at the front of this report.