

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee –
6 December 2018

Subject: Setting of the Council Tax Base and Business Rates Shares for
Budget Setting Purposes.

Report of: The City Treasurer

Summary

To advise on the method of calculating the City Council's Council Tax base for tax setting purposes and Business Rates income for budget setting purposes for the 2019/20 financial year, together with the timing of related payments and the decision on pool membership. The Chair of the Committee will be requested to exempt various key decisions from call in.

Recommendations

Members are asked to:

1. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to set the Council Tax base for tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2013.
2. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to calculate the Business Rates income for budget setting purposes in accordance with the Non-Domestic Rating (Rates Retention) Regulations.
3. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated council tax surplus or deficit for 2018/19.
4. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated business rates surplus or deficit for 2018/19.
5. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to determine whether the Council should be part of a business rate pooling arrangements with other local authorities.
6. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to set the dates of precept payments to the Greater Manchester Combined Authority.

7. Note that the Chair of the Scrutiny Committee will be requested to exempt various key decisions from the call in procedures.
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Wards Affected:

All wards

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Background documents (available for public inspection):

- 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) and (Levy and Safety Net) (Amendment) Regulations 2017.
- The Non-Domestic Rating (Rates Retention) and (Levy and Safety Net) (Amendment) Regulations 2018.

1. Introduction to Setting of Council Tax Base

- 1.1 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, require the Council to calculate its tax base for tax setting purposes. This calculation has to be based on data available at 30 November 2018 and the decision must be made between 1 December 2018 and 31 January 2019. The City Council has to notify the precepting authorities of its calculation for 2019/20 by 31 January 2019.
- 1.2 If the calculation has not been agreed by 31 January 2019 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, and themselves, on the basis of all the information available. This information will include any recommendations of the City Treasurer; it will also include any amount calculated by the Secretary of State for the purposes of distribution of Government funding.

2. Basis of Calculation of Tax Base

- 2.1 The calculation of the amount of the council tax base is, in essence, the number of dwellings in an area belonging to each valuation band, modified to take account of the proportion of Band D applying to dwellings in each band. This is then adjusted to take account of discounts for disabled occupants, single occupiers and students, increases due to the application of the empty homes premium, reduced amounts payable for exempt dwellings as well as reductions in accordance with the council tax reductions scheme. This is further adjusted by the proportion of the council tax for the year which the Council expects to be able to collect.
- 2.2 The adjusted numbers of properties in each of the eight valuation bands A to H are expressed as numbers of Band D equivalents so they may be added to produce a single figure (e.g. A = 0.6667D; H = 2D).
- 2.3 The statutory timescale for undertaking the tax base calculation means that the tax base calculation for 2019/20 is based on information that will be more than three months out of date at the time that the bills are issued. Whilst this would not be a problem for most authorities the fluctuating numbers of students and the high turnover of population in Manchester make it difficult to predict how many properties will be exempt, empty or occupied by a single person etc on 1 April 2019 and during the following financial year. This is made more difficult with the inclusion of the Council Tax Support Scheme within the calculation. The figures on which the tax base will be calculated will represent a 'best estimate'.
- 2.4 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. The council tax base calculation

now takes account of an estimate of the amount of council tax reductions granted.

- 2.5 The Council Tax Support Scheme, sets the maximum level of council tax support for working age households at 82.5% of council tax due.
- 2.6 The tax base calculation will incorporate assumptions about the potential changes in the following, between 30 November 2018 and 31 March 2020:
 - New properties;
 - Properties that are demolished;
 - Exempt properties (including all-student households);
 - Disabled Relief;
 - Single Person Discounts;
 - Empty properties; and
 - Council tax support scheme claimants.
- 2.7 The council tax base for 2018/19 was estimated at 112,965 Band D equivalents. For 2019/20 the budget planning assumption is that the council tax base will increase which will generate increased revenue for the Council. These assumptions will be validated when the tax base is recalculated.
- 2.8 The calculation uses information to November 2018, and is finalised during December 2018 to support the key decision required. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the tax base for council tax setting purposes.

3. Basis of Calculation of Business Rates Base

- 3.1 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 Fire and Rescue element).
- 3.2 The retained business rates income is subject to a safety net and Greater Manchester authorities are protected at 97% of their baseline funding level compared to business rate income, Section 31 grant and any tariff or top up payments. This change in funding has brought a higher level of uncertainty in Council resources and had implications for how the budget is set.
- 3.3 The starting point for the calculation is the estimate of gross business rates payable by business ratepayers in 2019/20. This includes an estimate in the change in rates payable due to businesses added to or removed from the rating list during the year. This is adjusted by the estimated cost of mandatory reliefs including the net cost of small business rate relief and costs of reliefs to charities, community and amateur sports clubs, partly occupied premises and empty premises. It is further adjusted by 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 after reliefs is then reduced by the estimate of losses in collection and the allowance for the costs of collection.

- 3.4 In addition estimates are made for the effect of appeals against rateable values affecting income due up to 31 March 2020.
- 3.5 In estimating business rates growth potential additions and removals to the rating list will be looked at for the financial year. This will include intelligence gleaned from planning applications. The effect of appeals on the rating list will be a best estimate using known outstanding appeals, an estimate of future appeals expected to be received affecting 2019/20 income, any knock on effects of known appeals and percentage rates based on the effects of the settlements of historic appeals. Changes in the rating list for the enterprise zone are considered separately.
- 3.6 The Non-Domestic Rating (Rates Retention) Regulations require that the Council estimates the shares of business rate income for 2019/20 and notifies Central Government and the Greater Manchester Combined Authority of these amounts by 31 January 2019.
- 3.7 Due to the timescale for the receipt of the information required and the requirement to notify Central Government and the Greater Manchester Combined Authority by 31 January 2019 there will be a request to the Committee Chair to exempt the decision from call in. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated business rates income for budget setting purposes.

4. Council Tax Surplus / Deficit

- 4.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to council taxes. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities
- 4.2 The City Council has to notify the precepting authorities (Police and Fire elements of the Greater Manchester Combined Authority), of its estimated Collection Fund surplus or deficit by 15 January 2019.
- 4.3 Due to the requirement to use the most up to date information (i.e. end of December 2018) and to notify precepting authorities by 15 January 2019 there will be a request to the Committee Chair to exempt the decision from call in. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated surplus or deficit.

5. Business Rates Surplus / Deficit

- 5.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to business rates. Any such estimated surplus or deficit is shared between the billing authority and the Greater Manchester Combined Authority.
- 5.2 The City Council has to inform Central Government and the Greater Manchester Combined Authority by 31 January 2019 its forecast Business Rates Collection Fund surplus or deficit.
- 5.3 Due to the requirement to use the most up to date information (i.e. end of December 2018) and to notify Central Government and the Combined Authority by 31 January 2019 there will be a request to the Committee Chair to exempt the decision from call in. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated business rates surplus or deficit.

6. Pooling of Business Rates

- 6.1 2018/19 is the fourth year that Manchester has participated in a business rates pool, the previous membership was the authorities within Greater Manchester, Cheshire East and Cheshire West and Chester. We are awaiting confirmation if Cheshire East will again participate as a member of the GM Pool or partake in the 75% retention pilot, as a sole applicant. Each authority will need to make a decision on whether it wishes to be part of the pool for 2019/20 within 28 days of the provisional Local Government Finance Settlement due to be announced on 6 December. The purpose of pooling rates across the individual authorities is not intended to alter individual authorities income levels but to retain any levy that might be payable by certain of the authorities to Central Government. If any of the authorities, which have expressed an interest so far, including Cheshire East decide to withdraw from the pool then the proposed pool will dissolve for the 2019/20 financial year. The willing remaining authorities would then have the opportunity to create a new pool.
- 6.2 It is anticipated that Manchester will continue to administer the pool.
- 6.3 The decision on whether Manchester City Council should continue to be part of the pooling arrangement is delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources.

7. Timing of Payments

- 7.1 Payment dates for the share of Council Tax payable to the Greater Manchester Combined Authority have to be agreed and notified before 31 January 2019. In previous years this has been the 23rd day of each month. This has been changed to the 20th day of each month for 2019/20.

- 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.
- 7.3 The dates agreed with the Greater Manchester Combined Authority for 2018/19 were the 23rd day of each month. This has been changed to the 20th day of each month for 2019/20.
- 7.4 In 2017/18 and 2018/19 Manchester has been responsible for administering the payments and receipts of top up and tariffs to members of the Greater Manchester and Cheshire Business Rates Pool. MHCLG made top up payments to Manchester in line with the dates in the schedule of instalments and Manchester distributed to the top up authorities on the same dates. Manchester also received tariff payments from the tariff authorities on the same date, thus avoiding investment implications. On the assumption that Manchester administers the pool in 2019/20 it is expected the payment arrangements will remain the same.

8. Recommendation

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