*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 7

TITLE OF REPORT: NATIONAL NON-DOMESTIC RATE RETURN 1 – 2013/2014

REPORT OF THE HEAD OF REVENUES, BENEFITS & INFORMATION TECHNOLOGY
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

1.1 To inform members of changes to the reporting processes for the National Non-Domestic Rate Return 1 (NNDR1).

1.2 To approve the NNDR1 Return for 2013/2014.

1.3 To note that final Regulations and guidance have still to be published, which may require additional changes before the submission date of 31 January 2013.

2. RECOMMENDATIONS

2.1 That the Committee approves the NNDR1 Return detailed at Appendix 1.

2.2 That the Committee delegates any amendments on the Return resulting from regulations and guidance to be published before the submission date of 31 January 2013, to the Strategic Director of Finance, Policy and Governance, in consultation with the Chairman of the Committee.

3. REASONS FOR RECOMMENDATIONS

3.1 To comply with statutory requirements

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 The provision to provide information contained within the NNDR 1 is a statutory requirement.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

5.1 None applicable.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND

7.1 The Council has always had a requirement to make an NNDR1 Return to the Secretary of State each year, which has been the Council's estimate of the likely income from Non-Domestic Rates for the following financial year. There has not been a requirement, until this year for that Return to be approved by Members.

7.2 In December 2011 the Government published its proposals for a Business Rates Retention Scheme alongside the introduction of the Local Government Finance Bill, which became an Act in November 2012. The intention of this proposal was to ensure that a proportion of Non-Domestic Rates was locally retained.

7.2 In November 2012 the Government issued a Policy Statement reflecting its desire to see the Business Rates Retention Scheme at the heart of its reform agenda aimed at achieving two of its key priorities: economic growth and localism.

7.3 The amount to be retained by Billing Authorities, and the amount to be paid to Central Government and Major Precepting Authorities is to be fixed at the start of the financial year on the basis of the Billing Authority's estimate of its Non-Domestic Rating income for the year (the NNDR1 Return). For this reason, the Government has decided that this return should now be subject to approval by Members.

7.4 The basis on which a Billing Authority is to make that estimate will be set out in regulations made under the provisions of the Local Government Act 1988. These Regulations have still to be laid before Parliament and are expected soon.

7.5 In the meantime, the expected requirements for the calculation of Non-Domestic Rating income for the year are found in Schedule 1 of the consultation draft of the Non-Domestic Rating (Rates Retention) Regulations (the Retention Regulations)

7.6 It is expected that the Regulations will require Billing Authorities to calculate the sum due, for that year, and inform;

a) The Secretary of State in respect of the "central share" of their Non-Domestic Rating income;

b) Their Major Precepting Authorities.

8. ISSUES

8.1 Changes to The Financial Information Required In The NNDR 1

8.1.1 The Business Rates Retention Regulations will require a Billing Authority to calculate its Non-Domestic Rating income by estimating the net payments from ratepayers that will be credited to its collection fund income (after having taken account of any rate relief provided to ratepayers and any repayments made to ratepayers)

8.1.2 In completing the NNDR1, Billing Authorities should take account of the two measures announced by the Chancellor in his Autumn Statement;

- A further one year extension of the temporary increase in Small Business Rate Relief; and;
- Extended exemption from Non-Domestic Rates for empty new builds (which will be exempt from Empty Property Rates for up to 18 months up to state aid limits between 1 October 2013 and 31 October 2016)

8.1.3 Appendix 1 illustrates the provisional 2013/14 NNDR 1. In accordance with directions from the DCLG the final certified copy must be submitted no later than 31st January 2013.

8.1.4 The NNDR 1 consists of a series of financial entries relating to individual inputs

8.1.5 The figures illustrated in Appendix 1 (NNDR 1 section 2) are subject to change before the submission date as the final Regulations are laid and additional guidance is published by DCLG.

8.1.6 Under the Rates Retention Scheme no amendments or adjustments can be made to the final NNDR 1 return during the 2013/14 financial year. In previous years a Billing Authority could submit an adjustment return (NNDR 2) during the financial year to allow for changes to collectable debit or other matters that had a material affect on the Billing Authority's projected income to the NNDR Pool

8.2 **The NNDR Return – Methodology and Assumptions Made**

8.2.1 **<u>Section 1</u>**

- <u>Line 1:</u> Information supplied by Valuation Office Agency.

- <u>Line 2:</u> Information supplied by Valuation Office Agency.

- <u>Line 3 to Line 12:</u> No change in calculation methodology from 2012/13. These are snapshot values taken from the Non-Domestic Rates application system.

- <u>Line 13:</u> 2013/14 change – prior to 2013/14 the NNDR1 figure entered in this line would have been 75% of Relief granted (the amount off-set by the NNDR Pool) . From 2013/14 onwards the figure entered is the full amount of Discretionary Rate Relief granted by the Council.

- <u>Line 14:</u> 2013/14 change – prior to 2013/14 the NNDR1 figure entered in this line would have been 75% of Relief granted (the amount off-set by the NNDR Pool). From 2013/14 onwards the figure entered is the full amount of Discretionary Rate Relief granted by the Council.

- <u>Line 15:</u> 2013/14 change - prior to 2013/14 the NNDR1 figure entered in this line would have been 25% of Relief granted (the amount off-set by the NNDR Pool) to Community Amateur Sports Clubs. From 2013/14 onwards the figure entered is the full amount of Discretionary Rate Relief granted by the Council.

- <u>Line 16:</u> 2013/14 change - prior to 2013/14 the NNDR1 figure entered in this line would have been 75% of Relief granted (the amount off-set by the NNDR Pool) to sole general stores, post offices, public houses, petrol filling stations and to rural food shops. From 2013/14 onwards the figure entered is the full amount of Discretionary Rate Relief granted by the Council.

- <u>Line 17:</u> 2013/14 change - prior to 2013/14 the NNDR1 figure entered in this line would have been 75% of Relief granted (the amount off-set by the NNDR Pool) to other rural businesses. From 2013/14 onwards the figure entered is the full amount of Discretionary Rate Relief granted by the Council.

- <u>Line 18:</u> 2013/14 change – Not applicable in 2012/13.

- <u>Line 19:</u> Self calculating cell. It is the total Discretionary Rate Relief calculated by totalling lines 13 -18. The effect of this is that under the new arrangements, the total of all existing Discretionary Rate Relief cases are off-set against the NNDR Pool.

- Line 20: Self calculating cell. It is the Council's gross rate yield after Reliefs, calculated by subtracting lines 12 and 19 from line 3.

- Line 21: No change in calculation methodology from 2012/13.

- Line 22: Information provided by DCLG.

- Line 23: Not applicable.

8.2.2 **Section 2**

- Line 24 to Line 27: Not applicable.

New Development Deals - this is new

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- Line 28: This includes additional net income raised by an increase to the Billing Authority's Rateable Value from properties that fall into Development Deal areas. (this is an area that will be designated in Regulations to be made under paragraph 39 of Schedule 7B to the 1988 Act) or other Rateable Value increases) and other new builds that materially affect the Billing Authority's Rateable Value. The value would be net of any Reliefs that may be applicable. It is not expected that there will be any new builds within the District in 2013/2014 that will materially affect the Council's Rateable Value.

- Line 29: This value represents the "baseline" amount for the New Development Deal areas and other Rateable Value increases. This figure is not available as it is derived from Regulations that currently have not been laid. This will be notified by DCLG in due course in Regulations to be made under paragraph 39 of Schedule 7B to the 1988 Act.

- Line 30: This field is calculated.

Renewable Energy Schemes

- Line 31: This is the Council's best estimate of Non-Domestic Rates yield from renewable energy schemes as defined in regulations 5-11 of the Non-Domestic Rating (Renewable Energy Projects) Regulations. Currently North Hertfordshire District Council has been informed of one potential renewable energy scheme. The application is for a Photovoltaic Solar Panel scheme. This application cannot be included in the NNDR 1 as it has not been granted planning permission. The Valuation Office Agency would not be aware of this proposal at this stage. They would not consider assessing the hereditament until the project was within an acceptable period of completion.

- A development of this nature would require to be assessed by the Valuation Office Agency's specialist Rating Team.

- Line 32: This field is calculated.

Rate Retention Adjustments

- Line 33: This cell allows the Billing Authority to exercise discretion based on local knowledge relating to individual or group increases/reductions in existing Rateable Value as well as catering for short term amendments. The value at Line 33 represents one hereditament with a Rateable Value of £630,000. It is shown within the Appeals List as being subject to deletion from the list. In reality the hereditament is subject to a major re-development and refurbishment. The company will continue to trade from the site and will only vacate areas as and when that area will be demolished or refurbished. After consulting with the Valuation Office Agency our best estimate is that no more than half the Rateable Value will be removed from the Rating List during any one period. The figure in Line 33 is the Council's best estimate on the reduction throughout the period of the whole financial year

- Line 34: This field is calculated. It is the figure at line 32 multiplied by the Small Business Rate Multiplier for the year of 0.462

Appeals

- Line 35: In accordance with proper accounting practice, Billing Authorities have to recognise in their budgets and accounts future reductions in revenue due to successful appeals. This cell also includes adjustments for known deleted properties to be removed from the List and those where there has been a material change in use, that has not yet been applied. The current Rating List came into affect on 1st April 2010. The Valuation Office Agency routinely receive a substantial number of appeals. Due to the physical volume of appeals is not usually possible to process these within the life of the Rating List. The figure in this cell is derived from the following known number of cases and listed assumptions:

Element	Rateable Value (RV)	Assumption	RV Applied
Appeals	37,685,515	1% success rate agreed with VOA	376,855
Deleted Properties	182,350	Known value	182,350
Material Change of Use	3,622,550	5% change agreed with VOA	181,128
Total			**740,333**

- Line 36: This field is calculated.

8.2.3 **Section 3**

Transitional Arrangements

- Line 37: No change in calculation methodology from 2012/13. This relates to "Gainers" under the Transitional Relief Scheme that have had their reduction in Rateable Value deferred under the Scheme.

- Line 38: No change in calculation methodology from 2012/13. This relates to "Losers" under the Transitional Relief Scheme that have had their increase in Rateable Value deferred under the Scheme.

- Line 39: This field is calculated.

- Line 40: This field is calculated. It is the final expected net yield.

9. LEGAL IMPLICATIONS

9.1 Approval of the NNDR1 Return by Members is a new responsibility and as such is not directly covered in the Terms of Reference of this Committee.

9.2 The Chief Executive has therefore exercised his urgency powers under the Council's Constitution to extend the Terms of Reference of this Committee to include approval of the Return and the Constitution will be formally amended as part of the annual Constitution review.

9.3 The Monitoring Officer is further authorised to make consequential changes to the Constitution to reflect resolutions of Council or of the Executive, and changes of fact and law, subject to regular notification to all Members of such changes

9.4 The Council is aware that it will have an obligation to submit its NNDR1 Return by 31 January 2013, but final Regulations and guidance have yet to be published. This has resulted in the recommendation at paragraph 2.2 that any necessary amendments to the Return resulting from future legislation or guidance be delegated to the Strategic Director of Finance, Policy & Governance in consultation with the Chairman of the Committee.

10. FINANCIAL IMPLICATIONS

10.1 Under the Business Rates Retention element of local government funding, the provisional settlement no longer provides guaranteed funding levels, but rather the starting point for Authorities within the scheme. Ultimately, the level of Non-Domestic Rates collected by authorities in 2013/14 will determine the funding received for this element of their funding.

10.2 It is not clear whether the Government intends to use the NNDR 1 Return to revise its estimates for 2013/14. If it does, and the national position for the collection of Non-Domestic Rates is significantly different to the Government's previous estimates then the provisional finance settlement could be adjusted for the final announcement.

10.3 The NNDR 1 suggests the total amount of Non-Domestic Rates to be collected in 2013/14 will be £38,004,564. The Government has published a national aggregate of estimated collected Non-Domestic Rates used to calculate the provisional settlement for 2013/14, but has not published an estimate by each Authority in order for us to do a comparison.

10.4 The NNDR 1 then indicates that the Council's share of the total Non-Domestic Rates to be collected in 2013/14 should be £15,201,826. This represents 80% of the 50% of total business rates that are kept locally. The other 50% is paid over to the Government. The Government has chosen to then apply a proportional levy within the system. After the levy is applied the provisional settlement announced the Council will keep £2.381million. This is called the baseline need.

10.5 Should the amount of Non-Domestic Rates collected in 2013/14 be greater than the Government's estimated baseline then the Council should be rewarded through the scheme as we will be able to retain an element of the associated increase. For example, if the Non-Domestic Rates baseline is 1% higher then the Council should be able to retain an additional £73,000. However, as mentioned in 10.2, it is not clear if the provisional settlement will be adjusted following the submission of all the NNDR 1 forms.

10.6 Should the amount of Non-Domestic Rates collected in 2013/14 be lower than the Government estimated baseline then the Council will see income fall until the safety net is reached. The Government has now announced a safety net percentage of 7.5%. The safety net threshold for this Council is £2.203million. The maximum loss of income to the Council as a result of a reduction in collected Non-Domestic Rates is, therefore, £178,000. This risk has been anticipated within the known financial risk allowance for the general fund estimates for 2013/14.

11. RISK IMPLICATIONS

11.1 The risks associated with this have been covered in the Financial Implications above.

12. EQUALITIES IMPLICATIONS

12.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.3 The submission of an NNDR1 return is a statutory one. This reports highlights the reporting process now requires the approval of Members. This does not impact on those that share a protected characteristic as the only change is one of process. If the manner in which NNDR was collected changed then this may affect those sections of the community.

13. SOCIAL VALUE IMPLICATIONS

13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12.

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no Human Resource implications in this report.

15. APPENDICES

15.1 Appendix 1 – NNDR1 Return.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 Calculation spreadsheets.