COUNCIL TAX SETTING COMMITTEE 14 January 2014

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. **7**

TITLE OF REPORT: NATIONAL NON-DOMESTIC RATE RETURN 1 – 2014/2015

ADDENDUM 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) and the fact that the NNDR1 Return has not yet been published.

1.2 To approve, if possible the NNDR1 Return for 2014/2015.

1.3 To note that a draft version of the NNDR1 was received on Friday 3 January 2014 from the Department for Communities and Local Government (DCLG) requiring comments back by Friday 10 January 2014. The final version of the NNDR1 will be published on Friday 17 January 2014 and will need to be returned to DCLG by Friday 31 January 2014.

2. RECOMMENDATIONS

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

2.2 That the Committee delegates any amendments on the Return resulting from changes to the form and additional guidance to be published on 17 January 2014, 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 NNDR1 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 had not been a requirement, until last 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.

7.3 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.

7.4 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.

7.5 The basis on which a Billing Authority is to make that estimate was set out in regulations made under the provisions of the Local Government Act 1988.

7.6 The existing requirements for the calculation of Non-Domestic Rating income for the year are found in Schedule 1 of the Non-Domestic Rating (Rates Retention) Regulations (the Retention Regulations).

7.7 The Regulations 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

7.8 Following the Autumn Statement, DCLG confirmed its intention to amend the NNDR1 Return to reflect the changes to Non-Domestic Rates announced by the Chancellor of the Exchequer. These changes include:

- A cap on the increase in Business Rates to 2% in 2014-15. Treasury to fund the difference between cap and RPI
- A further extension of the doubling of the Small Business Rates Relief (SBRR) to April 2015
- SBRR will be retained for one year when a company takes on additional premises, which would up to now have resulted in SBRR being lost

- A discount of up to £1,000 against Business Rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014-15 and 2015-16
- A 50% discount from Business Rates for new occupants of previously empty retail premises for 18 months. The relief will be granted to businesses moving into long-term empty retail properties on or after 1 April 2014 and on or before 31 March 2016

7.9 These initiatives require significant changes to the existing NNDR1 Return and DCLG indicated that the revised form would be available by 20 December 2013.

7.10 The Draft NNDR1 was not received until the afternoon of 3 January 2014 and the final version will not be published until 17 January 2014, and must be returned by Friday 31 January 2014, leaving no realistic time for completion of the Form and for a further meeting of this Committee to be convened within the timescales required for publishing reports and giving notice of the meeting.

8. ISSUES

8.1 **Changes to The Financial Information Required In The NNDR1**

8.1.1 The Business Rates Retention Regulations 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 (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 will be required to take account of the measures announced by the Chancellor in his Autumn Statement as detailed at 7.8.

8.1.3 The delay in publishing the NNDR1 Form means that the only realistic means of giving Members the opportunity to review the Council's Return is to consider the Draft Form and delegate any necessary changes following publication of the final version to the Strategic Director of Finance, Policy & Governance and the Chairman of the Committee.

8.1.4 Under the Rates Retention Scheme no amendments or adjustments can be made to the final NNDR 1 return during the 2014/15 financial year. It is no longer possible to submit a revised calculation (NNDR2) part way through a financial year if there are significant variations to the total rateable value in-year.

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

8.3 Part 1 of the Form does not require any input from the Council as it comprises of cells with formulae derived from other parts of the Form.

8.4 Part 2 does require input from the Council.

8.4.1 Line 1 is the total Rateable Value for the District.

8.4.2 Line 2 is the Small Business Rate Relief Multiplier supplied by DCLG

8.4.3 Line 4 gives the Council the opportunity to estimate how much it believes the gross rates payable may increase or reduce during the course of the year. In North Hertfordshire at 30 December 2013, there are still 456 appeals to be heard, many of which are properties with large rateable values. The Valuation Office Agency are unable to advise the Council on the level of these appeals, for example whether it relates to a small change such as the removal of a small part of the premises, or whether it is a more extensive appeal, which may result in a significant reduction in rateable value. Between 1 April 2013 and 31 December 2013, the rates payable reduced by £334K as a result of successful appeals. However, the Government has issued an intention to have all appeals cleared by July 2015, which would imply that appeals are likely to be settled much more quickly over the next eighteen months. The Council therefore intends to make a provision in the NNDR1 that the rates payable in 2014/2015 could reduce by as much as £750K

8.4.4 Line 6 is the Authority's estimate of the amount of Transitional Relief to be awarded during 2014/2015. This is set at £96K and is reduced from £147K in 2013/2014 to reflect the number of properties which have now come out of transition.

8.4.5 Line 7 is the Authority's estimate of the amount of Transitional Surcharge to be paid during 2014/2015. This is set at £19K and is reduced from £77K in 2013/2014 to reflect the number of properties which have now come out of transition.

8.4.6 Line 9 allows the Council to make any adjustments to the projected Transitional amounts due to for example successful appeals. A check has been made and there are no large properties subject to appeal, which are still in transition.

8.4.7 Lines 12 to 18 reflect the various Reliefs available and have been uplifted by 2% to reflect the overall increase in Business Rates announced by the Government.

8.4.8 Line 20 allows the Council to make a provision for any increases in Mandatory Relief that it may expect in 2014/2015. £100K has been put in here for expected conversions of schools to academy status.

8.4.9 Lines 22 to 26 relate to unoccupied property and these figures have been uplifted by 2% to reflect the overall increase in Business Rates announced by the Government.

8.4.10 Lines 27 to 32 relate to Discretionary Rate Relief and have been uplifted by 2% to reflect the overall increase in Business Rates announced by the Government.

8.4.11 Lines 38 to 40 are requests from DCLG for the Council's estimate of lost income due to changes announced by the Chancellor of the Exchequer in his Autumn Statement. They do not form part of the NNDR1 Return. Line 38 relates to new properties being built, which remain unoccupied. No rates will be payable for eighteen months. As no growth in non-domestic property is expected in North Hertfordshire, this cell is set to zero. Line 39 relates to properties in Town centres, which have been unoccupied for a long term (as yet undefined) and then become occupied. These will receive a 50% reduction in the rates payable for a period of eighteen months. Line 40 relates to the intention to award a reduction of £1,000 to retail properties in Town Centres with a rateable value below 50K.

8.5 Part 3 relates to allowable deductions.

8.5.1 Line 1 is pre-populated with the net rates payable from Line 44 Part 2

8.5.2 Line 2 is the estimated amounts to be written off during the year. For the last few years, this figure has ranged from £400K to £470K. The figure has been pitched at the higher end of this range.

8.5.3 Line 3 is the estimated amount to be repaid in respect of 2014/2015 resulting from successful appeals. This figure need not necessarily be the same as Line 4 Part 2 because properties may be subject to Transition or Reliefs but as this is an estimate, the Council is using the same figure.

8.5.4 Line 4 provides the net rates payable less any allowable deductions. This is estimated to be £37,537,464.

8.6 Part 4 relates to Collection Fund balances and adjustments and unfortunately the draft guidance on this part is less than helpful. Officers have completed the Draft Form on the basis of their best interpretation at this time and this may need some amendment when the final version is published, which hopefully will have better guidance..

8.6.1 Line 1 is the amount that the Council expects to be collected net of Reliefs by 31 March 2014 for Business Rates billed during 2013/2014.

8.6.2 Line 2 is the value of Transitional payments that the Council expects to be awarded by 31 March 2014 for 2013/2014.

8.6.3 Line 3 is the total of any year end reconciliations to the Collection Fund for New Development Deals, Enterprise Zones, Renewable Energy Schemes or Costs of Collection Allowances. In North Hertfordshire, only the Costs of Collection Allowance would be applicable.

8.6.4 Line 5 relates to Refunds and Interest Payments expected to be made to 31 March 2014.

8.6.5 Line 6 is the value of Transitional Surcharges that the Council expects to be added by 31 March 2014 for 2013/2014.

8.6.6 Lines 7 to 9 are the amounts that the Council expects to pay to the Government, the Major Precepting Authorities and itself from the Collection Fund in respect of Business Rates income up to 31 March 2014.

8.6.7 Line 10 is the amount to be transferred to the Council's General Fund for the Costs of Collection of NNDR in 2013/2014

8.6.8 Line 11 relates to adjustments for New Development Deals, Enterprise Zones, Renewable Energy Schemes, of which the Council has none in its area.

8.6.9 Line 14 shows an expected Collection Fund surplus of £104,593 in respect of Business Rates.

8.6.10 Part B of Part 4 is to be left blank.

9. LEGAL IMPLICATIONS

9.1 Approval of the NNDR1 Return is delegated through the Constitution to this Committee.

9.2 The Council is aware that it has an obligation to submit its NNDR1 Return by 31 January 2014, but final Form and guidance have still 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 2014/15 will determine the funding received for this element of their funding.

10.2 The NNDR 1 suggests the total amount of Non-Domestic Rates to be collected in 2014/15 will be £37,537,464.

10.3 The NNDR 1 then indicates that the Council's share of the total Non-Domestic Rates to be collected in 2014/15 should be £15,014,986. 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 tariff and levy within the system. After the tariff and levy is applied the remaining Council's share of the estimated total Non-Domestic Rates to be collected in 2014/15 is £2.531million. The 2014/15 provisional settlement (based on previous estimates) announced the Council will keep £2.428M. This is called the baseline need. Based on the NNDR 1 it is estimated the Council will keep £103k more than the baseline need in 2014/15.

10.4 The Authority would not be protected from an initial fall in Business Rates collection until the safety net figure was reached, i.e. business rates due to NHDC could fall by 7.5% (or around £182k) before safety net funding was received.

11. RISK IMPLICATIONS

11.1 The NNDR1 is an estimate of the amount of rates that the Council will expect to collect in 2014/2015. As with any estimate, there is always the risk that it will prove to be inaccurate.

11.2 To mitigate against this, trend data for previous years has been used whenever possible and where assumptions have had to be made, these have been made with a cautious view.

11.3 In previous years, a year end NNDR3 has been completed, which was audited externally and was used as the final calculation in that adjustments were made for any amounts either under or over paid.

11.4 For 2013/2014 and beyond we have been advised that there will be changes to the NNDR3 and it is not clear whether there will be scope for end of year adjustments.

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 – Draft NNDR1 Return.

16. CONTACT OFFICERS

16.1 Report Author:

Howard Crompton
Head of Revenues, Benefits & IT
Tel: 01462 474247
Email: howard.crompton@north-herts.gov.uk

16.2 Contributors:

Mark Scanes
Systems & Technical Manager
Tel: 01462 474440
Email: mark.scanes@north-herts.gov.uk

Tim Neill
Accountancy Manager
Tel: 01462 474461
Email: tim.neill@north-herts.gov.uk

Norma Atlay
Strategic Director Finance, Policy & Governance
Tel: 01462 474297
Email: norma.atlay@north-herts.gov.uk

17. BACKGROUND PAPERS

17.1 None.

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