*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 8

TITLE OF REPORT: NATIONAL NON-DOMESTIC RATE RETURN 1 – 2016/2017

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

1. SUMMARY

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

1.2 To approve, if possible the NNDR1 Return for 2016/2017.

1.3 To note that a draft version of the NNDR1 was received on Thursday 31st December 2015 from the Department for Communities and Local Government (DCLG). The final version of the NNDR1 will need to be returned to DCLG by Sunday 31st January 2016

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 any additional guidance, 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.

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 further extension of the doubling of the Small Business Rates Relief (SBRR) to April 2017

7.9 Local authorities will be refunded for the loss in Business Rates receipts as a result of the above measure. Refunds will be made through Section 31 grants.

7.10 Under the business rates retention scheme local authorities are able to come together on a voluntary basis to pool their business rate income. A pooling arrangement allows the Council to reduce the amount of levy payable to Government on any business rate growth achieved above the baseline need. At its meeting on the 15 December 2015, Cabinet endorsed the decision to continue in a business rates pool with Hertfordshire County Council (HCC) and four other districts within the County.

8. ISSUES

8.1 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).

8.1.1 2016-17 will be the third year for which authorities will be required, in accordance with Regulation 13 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452) (as amended), to estimate the likely non-domestic rating surplus, or deficit on the Collection Fund for the current year.

8.1.2 Regulation 13 requires an authority to estimate the surplus/deficit that it believes will exist at 31 March 2016, on the basis of a statutory calculation set out in Schedule 4 to the Regulations (as amended). The estimated amount will be shared between the authority, its major preceptors and central Government and will be added (or subtracted) from each party's share of 2016-17 non-domestic rating income.

8.1.3 The 2016-17 NNDR1 enables (in Part 4) the Billing Authority to provide its estimate of the 2016-17 Collection Fund surplus/deficit.

8.1.4 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.

8.1.5 Version 3 of the NNDR 1 was published on the afternoon of the 31st December 2015. 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. DCLG has not given any indication on when they expect to issue a final version, if at all.

8.1.6 Under the Rates Retention Scheme no amendments or adjustments can be made to the final NNDR 1 return during the 2016/17 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 as at 31 December 2015

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 30th September 2015, there are still 560 appeals to be heard, many of which are properties with large rateable values. The Valuation Office Agency is 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 2015 and 31 December 2015, the rates payable increased by £235K as a result growth and the on-going review of the composition of our existing stock.

With the volume of outstanding Appeals and no further notable growth expected it has been estimated that the annual rates payable may reduce by £542k as a result of successful appeals. The Council is also required to make provision for the cost of the back-dated element of successful appeals. This is dealt with in the collection fund surplus/deficit position in part 4 of the form.

8.4.4 Line 6 Relates to Transitional Relief and is no longer applicable.

8.4.5 Line 7 Relates to Transitional Relief and is no longer applicable.

8.4.6 Line 9 Relates to Transitional Relief and is no longer applicable

8.4.7 Lines 12 to 18 reflect the various Reliefs available and have been uplifted by 0.8% 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 2015/2016.

8.4.9 Lines 22 to 26 relate to unoccupied property and these figures have been uplifted by 0.8% 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 0.8% to reflect the overall increase in Business Rates announced by the Government.

8.4.11 Line 36 allows the Council to adjust Discretionary Relief forecast by expected growth or reduction

8.4.12 Lines 38 to 40 are requests from DCLG for the Council's estimate of lost income due to Discretionary Reliefs funded through S.31 Grants. 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. 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 relief provided in lieu of Transitional Relief which end in March 2015.

8.4.13 Line 42 allows the Council to adjust the forecast for S.31 Grant by growth or reduction

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 £550K to £670K. The figure has been pitched at the lower end of this range.

8.5.3 Line 3 is the estimated amount to be repaid in respect of 2016/2017 resulting from successful appeals.

8.5.4 Line 4 provides the net rates payable less any allowable deductions. This is estimated to be £39,518,123

8.5.5 Line 5 provides the net rates disregarded for renewable energy.

8.6 Part 4 relates to Collection Fund balances.

8.6.1 Line 1 is the opening balance on the Collection Fund Statement as at 1st April 2015. This was -£3,254,288

8.6.2 Line 2 relates to total amount credited to the Collection Fund in 2015/16.

8.6.3 Line 3 relates sums written off in excess of the allowance for collection

8.6.4 Line 4 is the change to the allowance for non collection.

8.6.5 Line 5 relates to amounts charged against the provision for appeals following RV list changes

8.6.6 Line 6 relates to changes to the provision for appeals Total amount charged, or to be charged, to the Collection fund in 2015-16.

8.6.7 Line 8 relates to Transitional protection payments received in 2015-16.

8.6.8 Line 9 relates to sums excluded from the Rates Retention Scheme in respect of allowance for cost of collection & renewable energy.

8.6.9 Line 10 relates to sums paid into the collection fund during 2015-16 in respect of the previous years deficit.

8.6.10 Line 12 relates to the amount of the transitional protection payments made in respect to 2015-16

8.6.11 Line 13 relates the amount paid to central Government in respect to its share of business rates income in 2015-16

8.6.12 Line 14 relates to the amount, paid to date to the major precepting authorities in respect of their share of non domestic rating income or anticipate transferring to their General Fund up to and including 31 March 2016.

8.6.13 Line 15 relates to the amount the authority has transferred into the General Fund in respect of their share of non-domestic rating income or anticipate transferring to their General Fund up to and including 31 March 2016.

8.6.14 Line 16 relates to sums that are excluded from the Rates Retention Scheme, in respect of the allowance for the cost of collection.

8.6.15 In Line 17, authorities should anticipate any sum that will be paid, or transferred, from, the Collection Fund following the reconciliation of 2015-16 NNDR1s and NNDR3s in respect of sums excluded from the Rates Retention Scheme, in respect of the allowance for the cost of collection, designated areas & renewable energy schemes, transferred to the billing authority, or paid to its major precepting authorities.

8.6.16 Line 18 relates to the sums paid from the collection fund during 2015-16 in respect of the previous year’s surplus.

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 2016, but DCLG has made the proviso that further iterations of the Form may yet be issued. 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 2016/17 will determine the funding received for this element of their funding.

10.2 The NNDR 1 suggests the total net amount of Non-Domestic Rates to be collected in 2016/17 will be £39,300,688

10.3 The NNDR 1 then indicates that the Council's share of the total Non-Domestic Rates to be collected in 2016/17, after deducting the share of the deficit position should be £15,732,348. 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. The 2016/17 provisional settlement announced the Council's tariff is £12,849,781 and this will have to be paid over to Central Government regardless of the amount of business rates collected. The Council has chosen to participate in a pool with other Hertfordshire Authorities in 2016/17. This will have the effect of reducing the levy to a negligible amount that the Council will need to pay Central Government for growth above the baseline need. Based on the NNDR 1 it is estimated the Council will collect around £700k more than the baseline need in 2016/17.

10.4 Ordinarily 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% before safety net funding was received. However, participation in the Hertfordshire pool does mean the protection of this safety net is lost.

11. RISK IMPLICATIONS

11.1 The NNDR1 is an estimate of the amount of rates that the Council will expect to collect in 2016/2017. 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 2015/16, a revised year end NNDR3 was completed, which was checked externally and was used as the final calculation in that adjustments were made for any amounts either under or over paid.

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.

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17. BACKGROUND PAPERS

17.1 None.