

COUNCIL TAX SETTING COMMITTEE

11 JANUARY 2018

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

7

TITLE OF REPORT: NATIONAL NON-DOMESTIC RATE RETURN 1 – 2018/2019

REPORT OF THE HEAD OF REVENUES, BENEFITS & INFORMATION TECHNOLOGY
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. SUMMARY

- 1.1 To inform Members of the reporting processes for the National Non- Domestic Rate Return 1 (NNDR1).
- 1.2 To approve, the NNDR1 Return for 2018/2019.
- 1.3 To note that a draft version of the NNDR1 was received on Wednesday 20 December 2017 from the Department for Communities and Local Government (DCLG). The final version of the NNDR1 will need to be returned to DCLG by Wednesday 31st January 2018

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 Head of Revenues, Benefit & Information Technology, in consultation with the Executive Member for Finance and Information Technology.

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 RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 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 In the spring Budget 2017 the Chancellor announced 3 new Discretionary Reliefs to help off set the effects on the 2017 Revaluation. These reliefs include
- 7.8.1 Pub Relief. Originally this relief was to be granted for the 2017/18 financial year only. In the Autumn Budget Statement 2017 the Chancellor announced this relief would be extended for 2018/19. Public Houses that have a Rateable Value of below £100k would qualify. This relief reduces the rates payable by a flat rate amount of £1,000.
- 7.8.2 Supporting Small Business Relief. This relief applies to properties that received small Business Rate Relief in the 2010 Rating List and as a result of the 2017 Valuation have lost all or part of this relief. The relief restricts annual increases to £600 for each consecutive year of the 2017 Rating List.

- 7.8.3 Discretionary Relief. This relief is intended to assist those businesses that faced the steepest rate increases as a result of the 2017 revaluation. Each Local Authority needed to adopt its own qualifying criteria that included properties with a rateable value below £200,000 and had incurred a rate rise of at least 12.5%
- 7.8.4 The total discretionary fund available was £300m over four years. The Government determined the amount of funds available to North Hertfordshire District Council under this scheme is as follows

Year	Amount of Funding
2017/2018	£320,000
2018/2019	£155,000
2019/2020	£64,000
2020/2021	£9,000
Total	£548,000

- 7.8.5 The funds allocated to each year must be used in year and any unused funds cannot be rolled forward cannot be rolled forward into the future financial year.
- 7.8.6 Cabinet approved the Council's Discretionary Scheme at its meeting on 25 July 2017.
- 7.8.7 All reliefs are subject to State Aid
- 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.

7.11 Revised DCLG Policy on Rates Retention Scheme

- 7.11.1 On 1 April 2017 the Government launched five pilots to retain 100% business rates retention in those areas with ratified devolution deals. These pilots retained 100% of business rates income and retained all of their growth in business rate income at the cost of foregoing most existing grants. In September 2017 the Government issued an invitation to all Local Authorities in England to pilot the 100% Business Rates Retention scheme in 2018/19 and to pioneer new pooling and tier-split models.
- 7.11.2 In consultation with all Hertfordshire Local Authorities, Herts County Council (HCC) submitted an application to join the 100% Business Rate Retention Scheme. The application was not successful.
- 7.11.3 HCC has therefore opted to consider entering into a combined business rate pool. A decision whether North Hertfordshire District Council will meet the revised criteria or will want to commit to this will be made no later than 20 January 2018.

8. RELEVANT CONSIDERATIONS

8.1 The Financial Information Required In The NNDR1

- 8.2 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).
- 8.3 2018/2019 will be the fifth 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.
- 8.4 Regulation 13 requires an authority to estimate the surplus/deficit that it believes will exist at 31 March 2018, 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 2018/2019 non-domestic rating income.
- 8.5 The 2018/2019 NNDR1 enables (in Part 4) the Billing Authority to provide its estimate of the 2018/2019 Collection Fund surplus/deficit.
- 8.6 In completing the NNDR1, Billing Authorities will be required to take account of the measures announced by the Chancellor in his Spring Budget and Autumn Budget statement as detailed at 7.8.
- 8.7 Under the Rates Retention Scheme no amendments or adjustments can be made to the final NNDR 1 return during the 2018/2019 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.
- 8.8 **The NNDR Return – Methodology and Assumptions Made**
- 8.9 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.
- 8.10 Part 2 does require input from the Council.
- 8.11 Line 1 is the total Rateable Value for the District as at 31 December 2017
- 8.12 Line 2 is the Small Business Rate Relief Multiplier supplied by DCLG
- 8.13 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
- 8.14 In addition to the new 2017 Rating List, the Valuation Office Agency introduced a new Appeals process of, Check, Challenge and Appeal. In essence new Appeals from 1 April 2017 would need to progress through 2 initial stages (Check then Challenge) before coming before a Valuation Tribunal (Appeal). At each of the preceding stages an amendment could be agreed between the appellant and the Valuation Office Agency. The whole process from Check to Appeal could take up to 3 years to find a solution.

- 8.15 As at 31 December 2017 we are not aware of any Checks that have reached the Challenge stage.
- 8.16 In North Hertfordshire, at 30 November 2017, there are still 354 appeals to be heard from the 2010 Rating List. 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 2017 and 31 December 2017, the rates payable decreased by £101K as a result Appeals. The effect of an Appeal on the 2010 List would have a similar change on the 2017 List.
- 8.17 With the volume of outstanding Appeals and no further notable growth expected it has been estimated that the annual rates payable may reduce by £500k as a result of successful appeals to the 2010 List and the new Check, Challenge and Appeal procedures relating to the 2017 List. 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.
- 8.18 Line 6 reflects the amount of revenue foregone due to Transitional Relief
- 8.19 Line 7 reflects the amount of additional income received due to Transitional Surcharge
- 8.20 Line 9 allows the Council to forecast changes within the Transitional Relief arrangements
- 8.21 Lines 12 to 18 reflect the various Reliefs available and have been uplifted 4% to reflect the overall increase in Business Rates announced by the Government and anticipated movement during the year
- 8.22 Line 20 allows the Council to make a provision for any increases in Mandatory Relief that it may expect in 2018/2019.
- 8.23 Lines 22 to 26 relate to unoccupied property and these figures have been uplifted by 4% to reflect the overall increase in Business Rates announced by the Government and anticipated movement during the year
- 8.24 Lines 27 to 32 relate to Discretionary Rate Relief and have been uplifted by 4% to reflect the overall increase in Business Rates announced by the Government and anticipated movement during the year
- 8.25 Line 36 allows the Council to adjust the Discretionary Relief forecast by expected growth or reduction
- 8.26 Lines 38 to 42 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 NNDR 1 return.
- 8.27 Line 38 relates to Rural Rate Relief.
- 8.28 Line 39 relates to Local Newspaper Relief.
- 8.29 Line 40 relates Supporting Business Businesses' Relief.
- 8.30 Line 41 relates to Discretionary Relief Fund. Line 42 relates to Pub Relief.

8.31 Line 44 allows the Council to adjust the forecast for S.31 Grant by growth or reduction

8.32 **Part 3 relates to allowable deductions.**

8.33 Line 1 is pre-populated with the net rates payable from Line 46 Part 2

8.34 Line 2 is the estimated amounts to be written off during the year. For the last few years, this figure has ranged from £575K to £675K. The figure has been pitched at the lower end of this range.

8.35 Line 3 is the estimated amount to be repaid in respect of 2018/2019 resulting from successful appeals.

8.36 Line 4 provides the net rates payable less any allowable deductions. This is estimated to be £38,088,285

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

8.38 **Part 4 relates to Collection Fund balances.**

8.39 Line 1 is the opening balance on the Collection Fund Statement as at 1 April 2017. This was -£2,050,169

8.40 Line 2 relates to total amount credited to the Collection Fund in 2017/2018.

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

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

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

8.44 Line 6 relates to changes to the provision for appeals Total amount charged, or to be charged, to the Collection fund in 2018/2019.

8.45 Line 8 relates to Transitional Protection Payments received in 2017/2018.

8.46 Line 9 relates to transfers/payments to the Collection Fund for Year End reconciliations

8.47 Line 10 relates to sums paid into the collection fund during 2017/2018 in respect of the previous year's deficit.

8.48 Line 12 relates to the amount of the transitional protection payments made in respect to 2017/2018

8.49 Line 13 relates the amount paid to Central Government in respect to its share of business rates income in 2017/2018.

8.50 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 2018.

8.51 Line 15 relates to the amount the authority has transferred into the General Fund in respect of its share of non-domestic rating income or anticipate transferring to their General Fund up to and including 31 March 2018..

- 8.52 Line 16 relates to transfers made, or to be made, to the billing authority's General Fund, and payments made, or to be made, to a precepting authority in respect of disregarded amounts.
- 8.53 Line 17 refers to transfers/payments from the Collection Fund for end-year reconciliations
- 8.54 Line 18 relates to transfers/payments made from the Collection Fund in 2017/2018 in respect of a 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 2018, 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 Head of Revenues, Benefits & Information Technology 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 2017/18 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 2017/18 will be £38,234,954
- 10.3 The NNDR 1 then indicates that the Council's share of the total Non-Domestic Rates to be collected in 2018/19, after deducting the share of the deficit position should be £18,449,084. 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 2017/18 provisional settlement announced the Council's tariff is £12,132,531 and this will have to be paid over to Central Government regardless of the amount of business rates collected.
- 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 2018/2019. 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 2016/2017, 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 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
- 12.2 There are no direct equality implications arising from this report.

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

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17. BACKGROUND PAPERS

- 17.1 None.