

CABINET MEETING – 15 JANUARY 2014

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Business Rates Income Forecast 2014/2015 and Projected Business Rates Income Outturn 2013/2014

Author(s):

Head of Financial Resources

Purpose of Report:

This report details the arrangements for estimating

- the forecast outturn for business rates income for 2013/2014 and
- the business rates income for 2014/2015

to be included in the NNDR 1 return which must be submitted to Government by 31st January 2014 in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013, following approval by Council.

Description of Decision:

Cabinet is recommended to recommend Council to approve the NNDR1 form (to be circulated separately as Appendix A) for submission to government, and which sets out

- the forecast outturn for business rates income for 2013/2014
- total estimated business rates income before transitional arrangements for the year 2014/2015

in accordance with regulations, and which will form the basis of the necessary apportionment of the estimated total business rate income for 2014/2015 in the following proportions:

- 50% to the Government
- 1% to the Tyne and Wear Fire and Rescue Authority
- 49% to the Council

In the event that there is a delay in receiving the NNDR 1 form for completion from government, as a result of which the form is to be completed or amended after the date of this Cabinet meeting, Cabinet is asked to provide delegated authority to the Head of Financial Resources, in consultation with the Leader of the Council and Cabinet Secretary, to approve the version of the NNDR1 form to be submitted to Council for approval.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To comply with Government expectation that requires Council to approve the NNDR1 return on an annual basis. The final estimated Business Rates Income Return figures for 2014/2015 have also to be formally notified by 31st January 2014 to both the Government who receives 50% of the total figure and also to the Tyne and Wear Fire and Rescue Authority who receives 1% of the total. The Council will retain the remaining 49%.

Alternative options to be considered and recommended to be rejected:

No alternative options are proposed.

Impacts analysed:

Equality Privacy Sustainability Crime and Disorder

Is this a “Key Decision” as defined in the Constitution? Yes

Is it included in the 28 day Notice of Decisions? Yes it forms part of the Budget setting process.

Scrutiny Committee

Cabinet – 15th January 2014

Business Rates Income Forecast 2014/2015

Report of the Head of Financial Resources

1. Purpose of Report

- 1.1 This report details the arrangements for estimating
- the forecast outturn for business rates income for 2013/2014 and
 - the business rates income for 2014/2015
- to be included in the NNDR 1 return which must be submitted to Government by 31st January 2014, in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013, following approval by Council.

2. Description of Decision:

- 2.1 Cabinet is recommended to recommend Council to approve the NNDR1 form (to be circulated separately as Appendix A) for submission to government, and which sets out
- the forecast outturn for business rates income for 2013/2014
 - total estimated business rates income before transitional arrangements for the year 2014/2015
- in accordance with regulations, and which will form the basis of the necessary apportionment of the estimated total business rate income for 2014/2015 in the following proportions:

- 50% to the Government
- 1% to the Tyne and Wear Fire and Rescue Authority
- 49% to the Council.

- 2.2 In the event that there is a delay in receiving the NNDR 1 form for completion from government, as a result of which the form is to be completed or amended after the date of this Cabinet meeting, Cabinet is asked to provide delegated authority to the Head of Financial Resources, in consultation with the Leader of the Council and Cabinet Secretary, to approve the version of the NNDR1 form to be submitted to Council for approval.

3. Introduction and Background Information

- 3.1 The Non Domestic Rating Regulations 2013 set out the regulations in relation to the Business Rates Retention Scheme (BRRS) introduced from 1 April 2013. Under the regulations, 50% of Non-Domestic Rates (more commonly known as Business Rates) will be retained locally by billing authorities and 2% of this total will be shared with the Tyne and Wear Fire and Rescue Authority.
- 3.2 Councils must submit a return known as the NNDR1 form to the Department for Communities and Local Government (DCLG). This form provides the local tax base for business properties in the area for the forthcoming year and determines the value of income from Non-Domestic Rates between central

government, the council and the Tyne and Wear Fire Authority. As such the NNDR1 form is a key document in the budget setting process.

- 3.3 The financial year 2014/2015 will be the second operational year of the new BRRS. As such, in addition to estimating the rates position for 2014/2015, the NNDR1 form requires the Council to confirm their best estimate of the NDR collection fund position as at 31 March 2014 i.e. to the end of the prior financial year 2013/2014. This is required in order to demonstrate whether a surplus or deficit on the Collection Fund in relation to NDR is anticipated at that date. Where a deficit is anticipated, payment will be required from central government and the Fire Authority, conversely where a surplus is anticipated payment will be required to be made by the Council to central government and the Fire Authority. These payments are required to be included in the Councils budget position for 2014/2015.
- 3.4 The NNDR1 form must be certified by the Section 151 Officer. Councils are expected to adopt a similar approval process used for the Council Tax Base, i.e. approval by Council.
- 3.5 The NNDR1 figures must be reported to the DCLG and to any relevant precepting authorities. In the case of the Council it must formally notify the Tyne and Wear Fire and Rescue Authority of their proportionate share of the Councils total estimated business rates income for 2014/2015, and the forecast outturn position for 2013/2014.
- 3.6 Full Council in January will approve the NNDR 1 submission and hence the agreed estimate of Retained Business Rate Income for 2014/2015 for inclusion in the Council budget.
- 3.7 The approved NNDR1 form must be returned to the DCLG no later than 31 January 2014.

4. NNDR1 Form

- 4.1 Following announcements made in the Autumn Statement, production of the NNDR1 return has been significantly delayed by the DCLG as it seeks to incorporate the impact of all of the changes into the return. As such a final version is not anticipated to be available until mid-January 2014. At the time of writing the report it is assumed the form will be available to enable circulation separately as Appendix A.

In the event there is a further delay in receiving the NNDR 1 form for completion from government, resulting in completion or amendment after the date of this Cabinet meeting, delegated authority is sought for the Head of Financial Resources (Section 151 Officer), in consultation with the Leader of the Council and Cabinet Secretary, to approve the version of the NNDR1 form to be submitted to Council.

4.2 Forecast Outturn 2013/2014

4.2.1 This first year of the BRRS has evidenced that the most significant variable, rateable adjustment appeals, is very difficult to forecast with certainty:

- Businesses can appeal the rateable valuation of their property, against a set list of appeals criteria, for as long as the valuation list is open. The current valuation list is the 2010 list and is envisaged to remain open until 2017.
- The Council has no control over the timing/ outcome of appeal decisions. Appeals are made to the Valuation Office Agency (VOA) who then considers these appeals and advise the Business and Local Authority of the outcome. The Council loses income to the value of 49% of the value of successful appeals.
- A significant proportion of the appeals are backdated to the start of the 2010 list. Such successful appeals therefore result in a refund for prior years and an adjustment for the current year. Successful appeals then reduce the base income collectable position for future years.
- There were a significant number of outstanding appeals awaiting VOA consideration as at the 1st April 2013 when the new BRRS came into effect. Despite these appeals pre-dating the new scheme, the Council bears 49% of the lost income and refunds of any successful appeal.

4.2.8 In recognition of the likely impact of backdated appeals the government is proposing to allow Authorities to spread the cost of these appeals over a five year period. However, this approach impacts on the Council's revenue budget position for the following four years. It is therefore proposed that the full cost of the estimated backdated appeal liability arising in 2013/2014 be accounted for in 2013/2014 which will result in a deficit on the collection fund at 31st March 2014. The Council budget planning for 2014/2015 is required to take this position into account.

4.3 Forecast Business Rates Income 2014/2015

4.3.1 The forecast position for 2014/2015 included in the NNDR1 includes the

- best estimate of the appeals position in relation to that financial year based on extrapolation of VOA data.
- the impact of announcements made by the government as part of the autumn statement. The government has confirmed that the impact on Council funding of these measures will be fully funded and separate Section 31 grants will be payable into the General Revenue Fund (rather than the Collection Fund).

4.3.2 In order to address the Collection fund deficit position brought forward at 31st March 2014, the Council Business Rates Retained Income for 2014/2015 available to support the Councils revenue budget will be reduced. The impact of this on the Revenue Budget for 2014/2015 is provided for within the Safety Net Reserve Budget Provision.

5. Equality

5.1 There are no implications.

6. Privacy

6.1 There are no implications.

7. Sustainability

7.1 None specific from this report. More widely, the mechanism of funding Councils from retained NDR emphasise the importance of continuing to support business growth.

8. Crime and Disorder

8.1 There are no implications

9. Reasons for Decision

9.1 To comply with Government expectation that require Council to approve the NNDR1 return on an annual basis. The final estimated Business Rates Income Return figures for 2014/2015 have also to be formally notified by 31st January 2014 to both the Government who receives 50% of the total figure and also to the Tyne and Wear Fire and Rescue Authority who receives 1% of the total. The Council will retain the remaining 49%.

10. Alternative Options

10.1 No alternative options are proposed.

11. List of Appendices

Appendix 1 – NNDR1 Return for 2014/2015 - to be circulated separately

12. Background Papers

None